



CALTEX

CALTEX AUSTRALIA LIMITED
ACN 004 201 307

LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

27 February 2012

Company Announcements Office
Australian Securities Exchange

CALTEX AUSTRALIA LIMITED
2011 RESULTS FOR ANNOUNCEMENT TO THE MARKET
2011 PRELIMINARY FINAL REPORT AND 2011 FINANCIAL REPORT

Caltex Australia Limited attaches the *2011 Preliminary Final Report* for the year ended 31 December 2011 for immediate release to the market.

The *2011 Preliminary Final Report* includes the information set out in Appendix 4E (under ASX Listing Rule 4.3A) and incorporates the *2011 Financial Report* (under the *Corporations Act*).

Peter Lim
Company Secretary

Contact number: (02) 9250 5562 / 0414 815 732

Attach.

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

2011 PRELIMINARY
FINAL REPORT

RESULTS FOR ANNOUNCEMENT
TO THE MARKET

ANNUAL INFORMATION GIVEN TO THE ASX
UNDER LISTING RULE 4.3A



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LEVEL 24, 2 MARKET STREET
SYDNEY NSW 2000 AUSTRALIA

Results for announcement to the market

Key results (millions of dollars)			Year ended 31 December	
			2011	2010
Revenue from ordinary activities	↑	18%	22,105	18,672
(Loss)/profit from ordinary activities after tax/net (loss)/profit for the period attributable to members:				
Historical cost basis	↓	325%	(714)	317
Replacement cost basis ¹ (excluding significant items)	↓	17%	264	318

Dividend	2011	2010
Dividends declared:		
Interim dividend:		
- Amount per security (fully franked)	17c	30c
Final dividend:		
- Amount per security (fully franked)	28c	30c
Record date for determining entitlement to 2011 final dividend	13 March 2012	
Date 2011 final dividend is payable	3 April 2012	

Comments

- On an historic cost basis (including inventory gains), Caltex recorded an after tax loss of \$714 million for the 2011 full year, including significant items of approximately \$1,116 million (after tax), primarily for the previously announced impairment of the refinery assets. This compares with the 2010 full year profit of \$317 million, including significant items of \$16 million (after tax). The 2011 result includes product and crude oil inventory gains of \$138 million after tax as the average Dated Brent price rose from US\$79.46 in 2010 to US\$111.27, compared with an inventory gain of \$15 million after tax in 2010 when the crude price was more stable.
- The recent deterioration in the performance of the refining business unit due to the challenging external environment (including the ongoing strength of the Australian dollar, lower refiner margins and increasing costs) is expected to be sustained for a prolonged period. This has impacted refinery asset carrying values with a non-cash reduction in book value of \$1.5 billion before tax.
- On a replacement cost of sales operating profit (RCOP) basis, Caltex recorded an after tax profit for the 2011 full year of \$264 million, excluding significant items. This compares with \$318 million for the 2010 full year (excluding significant items). The difference between 2010 and 2011 is largely attributable to deteriorating externalities and operational disruptions during 2011. These externalities include a higher Australian dollar and a wider light-heavy crude oil price spread, both of which reduced the Australian dollar Caltex Refiner Margin².

¹ The replacement cost of sales operating profit (RCOP) excludes the impact of the fall or rise in oil prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historical cost, including the effect of contract based revenue lags.

² The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

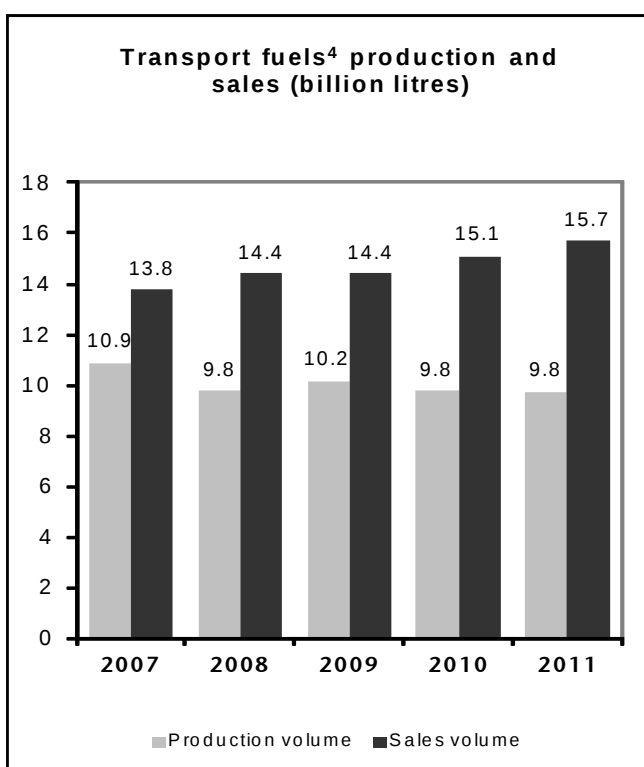
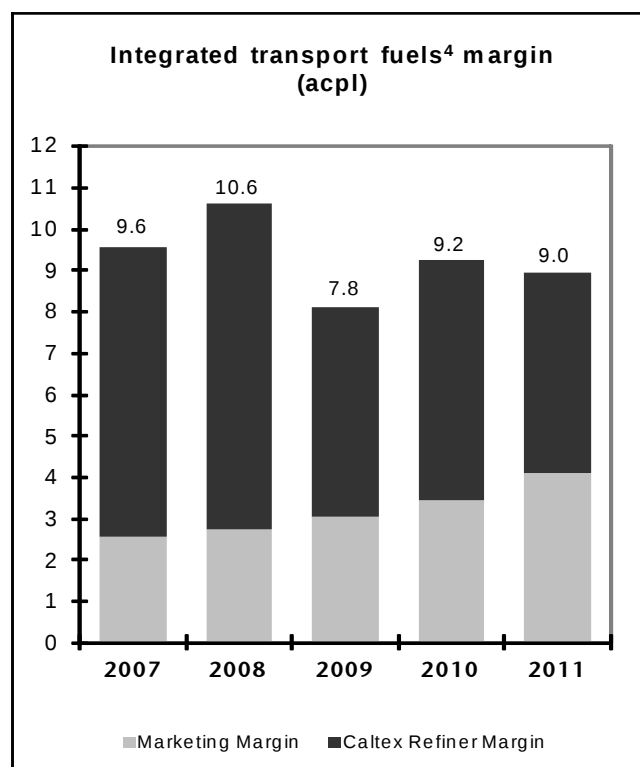
Results for announcement to the market (continued)

Comments (continued)

- For the second consecutive year, Caltex achieved a best ever safety result. In 2011 the lost time injury frequency rate reduced 27% to 0.99 per million hours worked, compared to 1.35 per million hours worked in 2010.
- Marketing's earnings before interest and tax (EBIT) increased by more than 20% when compared with 2010. This result was achieved through growth in sales of premium petrol, diesel, jet fuel, lubricants and non fuel income. This growth was supported by the investment in retail store upgrades and supply chain infrastructure, including the opening of the expanded Port Hedland terminal. This excellent 2011 EBIT result continues an annual growth rate of over 13% since 2007.
- The majority of the decline in profitability of the Refining business was due to deteriorating externalities, particularly the high Australian dollar, which rose from an average of 91.96 cents in 2010 to 103.24 cents, an increase of over 12%. Underlying cash operating expenses were well controlled with an increase lower than the Consumer Price Index (CPI) for the second year in a row. Good progress is being made on the Refining Improvement Initiative, with many of the initiatives expected to deliver value in 2012 and beyond. However, the benefit of cost and efficiency improvements was offset by the impact of unplanned outages.
- The poor 2011 Refining performance and the continuing difficult 2012 outlook for the company's refining business led Caltex to commence a major study into the role of its refineries in its supply chain, as previously announced in August last year.
- The overarching objective of the review is to optimise the value for shareholders and, to that end, Caltex continues to thoroughly evaluate all options to improve the 'as-is' business, ranging from investing to improve Refining performance, or closing if Caltex is able to import product at a competitive price. Continuation of the status quo is not sustainable.
- The outcome of the review is expected to be known in approximately six months as there are many issues to consider. The detailed review is assessing issues such as supply alternatives for Caltex's Marketing and Distribution business, the risk associated with each strategic option and the impact of possible decisions on a broad range of stakeholders. In the meantime Caltex remains, as always, committed to safe and reliable operations.
- Net debt at 31 December 2011 is \$617 million, compared with \$544 million at 31 December 2010. Caltex is committed to maintaining a BBB+/Stable credit rating that was recently reaffirmed after the announcement of the write down of refinery assets.
- The Board has decided to declare a final dividend of 28 cents per share (fully franked) for the second half of 2011. Combined with the interim dividend of 17 cents per share for the first half, paid in September 2011, this equates to a total dividend of 45 cents per share (fully franked) for 2011. This compares with a total dividend payout of 60 cents per share (fully franked) for 2010.
- Caltex supplies over one third of all transport fuels in Australia and remains committed to maintaining reliable supply to its commercial and retail customers.
- The Caltex Marketing and Distribution business is strong, and Caltex is continuing to build its position as Australia's leading supplier of petroleum fuels by further investment in the company's supply chain.

Key performance indicators

	Year ended 31 December				
	2011	2010	2009	2008	2007
(Loss)/profit before interest and tax (\$m)					
- Historical cost basis (including significant items)	(954)	499	475	104	965
- Historical cost basis (excluding significant items) ¹	640	522	648	104	965
- Replacement cost basis (including significant items) ²	(1,152)	477	317	321	675
- Replacement cost basis (excluding significant items)	442	500	489	321	675
(Loss)/profit after interest and tax (\$m)					
- Historical cost basis (including significant items)	(714)	317	314	34	646
- Historical cost basis (excluding significant items) ¹	402	333	435	34	646
- Replacement cost basis (including significant items) ²	(852)	302	203	186	444
- Replacement cost basis (excluding significant items)	264	318	324	186	444
Inventory gains/(losses) before tax (\$m)	197	21	158	(217)	290
Basic (loss)/earnings per share (cents)					
- Historical cost basis (including significant items)	(264)	117	116	13	239
- Replacement cost basis (excluding significant items)	98	118	120	69	164
Return on equity attributable to members of the parent entity after tax (%)					
- Historical cost basis (including significant items) ³	(32)	10	11	1	23
- Replacement cost basis (excluding significant items) ³	12	10	11	7	16
Net tangible asset backing per share (\$)	7.82	11.08	10.48	9.29	10.14
Net debt (\$m)	617	544	487	832	582
Gearing (net debt to net debt plus equity) (%)	22	15	14	24	17



¹ Historical cost basis excluding significant items (on a pre and post tax basis) is a non International Financial Reporting Standards (IFRS) measure. It is derived from the statutory profit/(loss) adjusted for significant items relating to asset impairment, restructuring, redundancy and other related costs (refer to note 30 for details of these items). Significant items are events that Management and the Board consider to be outside the scope of usual business. These are excluded to give a truer reflection of underlying financial performance from one period to the next. This is un-audited.

² Replacement Cost Operating Profit (RCOP) including significant items (on a pre and post tax basis) is a non IFRS measure. It is derived from the statutory profit/(loss) adjusted for inventory gains/(losses) as management believes this presents a clearer picture of the company's underlying business performance. This is un-audited.

³ This is a non-IFRS un-audited measure that management and the Board consider key for users of the financial statements.

⁴ Transport fuels comprise unleaded petrol, diesel and jet. Note that the transport fuels marketing margin applies to total transport fuels sales, whereas the Caltex Refiner Margin applies only to sales from production.

INCOME STATEMENT

for the year ended 31 December 2011

Millions of dollars	2011	2010
1 Total revenue ¹	22,400	18,931
2 Total expenses ²	(23,552)	(18,454)
3 Replacement cost (loss)/earnings before interest and tax	(1,152)	477
Finance income	1	2
Finance expenses	(69)	(59)
4 Net finance costs	(68)	(57)
Income tax benefit/(expense) ³	368	(118)
Replacement cost of sales operating (loss)/profit (RCOP)	(852)	302
5 Inventory gain after tax	138	15
Historical cost net (loss)/profit after tax	(714)	317
Interim dividend per share	17c	30c
6 Final dividend per share	28c	30c
Basic earnings/(losses) per share		
- Replacement cost (excluding significant items)	98c	118c
- Historical cost	(264c)	117c

Discussion and analysis

1 Total revenue  18%	Total revenue increased primarily due to: - the impact of higher average crude prices (increasing from US\$79.46/bbl in 2010 to US\$111.27/bbl in 2011), and - higher transport fuels sales volumes than prior year (2011: 15.7 billion litres vs. 2010: 15.1 billion litres).
2 Total expenses – replacement cost basis  28%	Total expenses increased as a result of: - higher cost of sales, reflecting the higher costs of purchasing and shipping crude during 2011, and - significant items (\$1,594 million) primarily for the impairment of Refinery assets. Excluding significant items, total expenses rose by 19%.
3 Replacement cost EBIT including significant items	Replacement cost earnings before interest and tax (EBIT) decrease is largely attributable to: - impairment of Refinery assets, and - deteriorating externalities and operational disruptions during 2011. These externalities include a higher Australian dollar and a wider light-heavy crude oil price spread, both of which negatively impacted the Caltex Refiner Margin.

¹ Excludes interest revenue of \$1 million (2010: \$1 million) and includes other income of \$295 million (2010: \$259 million).

² Excludes interest expense of \$66 million (2010: \$56 million) and inventory gains of \$197 million (2010: \$21 million).

³ Excludes tax on inventory gains of \$59 million (2010: \$6 million).

INCOME STATEMENT (continued)
for the year ended 31 December 2011 (continued)
Discussion and analysis (continued)

RCOP EBIT breakdown¹

Caltex Refiner Margin (CRM)	CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss. US dollar CRM was lower in 2011 at US\$7.98/bbl, compared with US\$8.39/bbl for 2010. In AUD terms, the CRM was 4.87 Australian cents per litre in 2011, compared with 5.77 Australian cents per litre in 2010, due to the higher average Australian dollar in 2011. Total refinery production in 2011 of all products was consistent with 2010 (10.7 billion litres in both years). A production increase at Kurnell and Lytton refineries (79 million litres) offset the reduced volumes as a result of the Caltex Lubricating Oil Refinery (CLOR) closure during the year.
\$485m	
Transport fuels marketing margin	Transport fuels comprise petrol, diesel and jet. The transport fuels marketing margin is based on the average net margin over Import Parity Price in Australia. Transport fuel sales volumes and margins have increased, driven by an increase in premium fuel sales and jet sales. Premium fuel sales were 2.5 billion litres in 2011, compared with 1.8 billion litres in 2010. Caltex's overall transport fuel sales volumes grew by 4.0% during 2011. Retail diesel sales have continued to grow strongly driven by the premium diesel product, Vortex Diesel, and as a result of growth in the diesel vehicle market. Overall diesel sales, including commercial diesel, were up by more than 9%. Jet fuel volumes increased approximately 7%, underpinned by a strong and growing customer base. Overall petrol volumes decreased approximately 1%, in line with the market. However, premium petrol and E10 sales volumes continue to grow.
\$643m	
Lubricants and specialties margin	Lubricants and specialties products include finished lubricants, base oils, liquefied petroleum gas, petrochemicals, bitumen, wax and marine fuels. The finished lubricants business continued its success of last year, with sales volumes up by 14%. Specialty products declined as poor weather, especially in the first half of the year, and strong competition impacted sales. In addition, the specialties contribution was impacted by the decision to cease manufacture and sales of base oils as a result of the planned CLOR closure.
\$111m	
Non-fuel income	Non-fuel income includes convenience store income, franchise income, royalties, property, plant and equipment rentals, StarCard income and share of profits from distributor businesses. Non-fuel income increased by 9% compared with the same period last year, due to the mix of earnings from Caltex's new franchise agreements, and the higher fuel prices improved earnings from StarCard.
\$180m	
Operating expenses	Operating expenses in this caption include Refining and Supply, Marketing and Corporate operating expenditure. Overall operating expenses increased 9% compared with 2010. This year for the first time costs for the purchase of natural gas and steam has moved to operating expenses (previously it was treated in the cost of goods sold). This has had the effect of appearing to increase operating expenses while the offsetting benefit of improved yield is realised in CRM. The cost of steam and natural gas purchases was \$50 million for 2011. Operating expenses, excluding depreciation and natural gas and steam costs, are up \$22 million. Marketing operating expense increases include an increase in repairs and maintenance expenses and costs relating to the impact of the Queensland floods in the first quarter of 2011. Excluding the reclassification of natural gas expenses, Refining operating costs rose by less than the CPI index for the second year in a row. Refining operating expense increases are largely associated with market-driven labour cost increases and increased maintenance expenses due to the unplanned outages. Depreciation and amortisation is up \$10 million on 2010 as the continued investment in retail store upgrades, infrastructure and the major planned maintenance at Lytton in 2010 flows through.
(\$999m)	

¹ The breakdown of RCOP shown here represents a management reporting view of the breakdown and, therefore, individual components may not reconcile to statutory accounts.

INCOME STATEMENT (continued)
for the year ended 31 December 2011 (continued)
Discussion and analysis (continued)

RCOP EBIT breakdown

Other \$22m	Other includes foreign exchange impacts, loss on disposal of assets and pipeline and charter revenue.
RCOP EBIT excluding significant items \$442m	
Significant items (\$1,594m)	During 2011, the Group incurred significant items of \$1,594 million primarily for the impairment of the Refinery assets. The recent deterioration in the performance of the refining business unit due to the challenging external environment (including the ongoing strength of the Australian dollar, lower refiner margins and increasing costs) is expected to be sustained for a prolonged period. This has impacted refinery asset carrying values with a non-cash reduction in book value of \$1.5 billion before tax.
Total RCOP EBIT (\$1,152m)	

4 Net finance costs ↑ 19%	Net finance costs increased \$11 million compared with 2010. The increase primarily reflects the higher net debt in 2011 compared to 2010, driven by higher working capital due to higher crude oil and product prices.
5 Inventory gain after tax ↑ \$123m	Regional crude oil prices increased during 2011 (averaging US\$111.27/bbl in 2011, compared with US\$79.46/bbl in 2010). This resulted in net inventory gains of \$197 million (\$138 million after tax) and compares with the slower rate of price increases throughout 2010 which resulted in net inventory gains of \$21 million (\$15 million after tax).
6 Final dividend	The Board is pleased to announce it has declared a final dividend of 28 cents per share (fully franked) for 2011 (a total of \$76 million). This makes the total 2011 dividends declared 45 cents per share (fully franked) after the interim dividend of 17 cents per share paid on 27 September 2011 (2010 total dividends: 60 cents per share). The record date in relation to the final 2011 dividend is 13 March 2012, with the dividend payable on 3 April 2012.

BALANCE SHEET

as at 31 December 2011

Millions of dollars	Dec 2011	Dec 2010	Change
1 Working capital	927	769	158
2 Property, plant and equipment (PP&E)	1,535	2,896	(1,361)
3 Net debt	(617)	(544)	(73)
4 Other non-current assets and liabilities	373	(38)	411
Total equity	2,218	3,083	(865)

Discussion and analysis

1 Working capital  \$158m	The increase in working capital is primarily due to: - higher inventory values as a result of higher crude prices, partially offset by lower net inventory volumes, and - higher crude and product prices impacting receivables, including the impact of a higher Australian dollar. This is partly offset by: - higher crude payables reflecting the higher crude price in 2011 and higher purchases from competitors due to increased Marketing sales in non-refining states.
2 PP&E  \$1,361m	The decrease in property, plant and equipment is due to: - the net impairment impact of \$1,553 million, primarily relating to Refinery assets, - depreciation of \$211 million, and - disposals of \$4 million. This is partly offset by: - capital expenditure and accruals, including major cyclical maintenance, of \$394 million, and - assets acquired through business acquisitions of \$14 million.
3 Net debt  \$73m	Net debt increased to \$617 million at 31 December 2011, an increase of \$73 million from 31 December 2010 due to higher working capital requirements primarily as a result of higher crude prices, net of a higher Australian dollar. As a result of this increase in debt, and the refining asset impairment charge, Caltex's gearing at 31 December 2011 (net debt to net debt plus equity) was 21.8%, increasing from 15.0% at 31 December 2010. On a lease-adjusted basis, gearing at 31 December 2011 was 33.4% compared with 21.3% at 31 December 2010.
4 Other non-current assets and liabilities  \$411m	Other non-current assets and liabilities have increased primarily due to deferred tax asset increases (\$434 million) as a result of the Refining and Supply asset write downs, which form part of the significant items previously discussed.

CASH FLOWS

for the year ended 31 December 2011

	Millions of dollars	2011	2010	Change
1	Receipts from customers	25,636	21,681	3,955
2	Payments to suppliers and employees	(19,895)	(16,245)	(3,650)
3	Payments for excise	(5,047)	(4,891)	(156)
	Finance costs paid	(70)	(60)	(10)
4	Tax and other activities	(178)	(57)	(121)
	Net operating cash inflows	446	428	18
	Purchases of property, plant and equipment (PP&E) and major cyclical maintenance	(396)	(351)	(45)
	Other investing cash flows	11	16	(5)
	Net investing cash outflows	(385)	(335)	(50)
	Dividends paid	(127)	(149)	22
	Other financing cash inflows	49	52	(3)
5	Net financing cash outflows	(78)	(97)	19
	Net decrease in cash held	(17)	(4)	(13)

Discussion and analysis

1 Receipts from customers ↑ \$3,955m	Receipts from customers increased primarily due to: - the impact of higher crude prices, and - higher transport fuels sales volumes than in the prior year.
2 Payments to suppliers and employees ↑ \$3,650m	Payments to suppliers increased as a result of higher cost of sales, reflecting primarily higher crude oil prices and resulting working capital requirements.
3 Payments for excise ↑ \$156m	Increased excise payments are a result of increased sales volumes in 2011 compared with 2010. The 3.2% increase in excise payments is in line with the percentage increase in transport fuels sales volumes.
4 Tax and other activities ↑ \$121m	Net cash outflows from tax and other operating activities were higher in 2011 mainly due to timing of payments. Income taxes of \$72 million were paid in 2011 that related to the 2010 financial year.
5 Net financing cash outflows ↓ \$19m	Net financing cash outflows decreased primarily due to lower dividend payments in 2011 compared with 2010.

2011 FINANCIAL REPORT

FOR

CALTEX AUSTRALIA LIMITED

ACN 004 201 307

The 2011 Financial Report for Caltex Australia Limited includes:

- Directors' Report
- Lead Auditor's Independence Declaration
- Directors' Declaration
- Independent Audit Report
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Balance Sheet
- Consolidated Statement of Changes in Equity
- Consolidated Cash Flow Statement
- Notes to the Financial Statements

for the year ended 31 December 2011.

Caltex Australia Group

For the purposes of this report, the Caltex Australia Group refers to:

- Caltex Australia Limited, which is the parent company of the Caltex Australia Group and is listed on the Australian Securities Exchange (ASX)
- our major operating companies, including Caltex Australia Petroleum Pty Ltd, Caltex Refineries (NSW) Pty Ltd, Caltex Refineries (Qld) Pty Ltd, Caltex Petroleum Services Pty Ltd and Calstores Pty Ltd
- a number of wholly owned entities and other companies that are controlled by the Group.

Please note that terms such as Caltex and Caltex Australia have the same meaning in this report as the Caltex Australia Group, unless the context requires otherwise.

Directors' Report

Introduction

The Board of Caltex Australia Limited presents the 2011 Directors' Report (including the Remuneration Report) and the 2011 Financial Report for Caltex Australia Limited and its controlled entities (the Caltex Australia Group), and the Group's interest in associates and jointly controlled entities, for the year ended 31 December 2011 to shareholders. An Independent Audit Report from KPMG, as external auditor, is also provided.

Board of directors

The Board of Caltex Australia Limited comprises Ms Elizabeth Bryan (Chairman), Mr Julian Segal (Managing Director & CEO), Mr Trevor Bourne, Mr Brant Fish, Mr Greig Gailey, Mr Timothy (Tim) Leveille, Mr Walter (Walt) Szopiak and Mr John Thorn.

Ms Colleen Jones-Cervantes serves as alternate director for each of Mr Fish, Mr Leveille and Mr Szopiak.

There have not been any changes to the composition of the Board since 1 January 2011.

Board profiles

Ms Elizabeth Bryan	Chairman (Non-executive/Independent)
Date of appointment - director:	18 July 2002
Date of appointment - Chairman:	1 October 2007
Board committees:	Nomination Committee (Chairman) and attends meetings of the Audit Committee, Human Resources Committee and OHS & Environmental Risk Committee in an ex-officio capacity

Elizabeth brings management, strategic and financial expertise to the Caltex Board. She has over 30 years of experience in the financial services industry, government policy and administration, and on the boards of companies and statutory organisations. Prior to becoming a professional director, she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Elizabeth is a director of Westpac Banking Corporation (appointed November 2006). She was previously the Chairman of UniSuper Limited (where she served as a director from January 2002 to June 2011).

Elizabeth holds a Bachelor of Arts (Economics) from the Australian National University and a Master of Arts (Economics) from the University of Hawaii (US).

Mr Julian Segal	Managing Director & CEO
Date of appointment:	1 July 2009

Julian is responsible for overseeing the day-to-day operations of the Caltex Australia Group and brings extensive commercial and management experience to Caltex.

Julian joined Caltex from Incitec Pivot Limited, a leading global chemicals company, where he served as the Managing Director & CEO from June 2005 to May 2009. Prior to Incitec Pivot, Julian spent six years at Orica in a number of senior management positions, including Manager of Strategic Market Planning, General Manager – Australia/Asia Mining Services, and Senior Vice President – Marketing for Orica Mining Services.

Julian holds a Bachelor of Science (Chemical Engineering) from the Israel Institute of Technology and a Master of Business Administration from the Macquarie Graduate School of Management.

Julian is a director of the Australian Institute of Petroleum Limited (appointed 1 July 2009).

Board profiles (continued)

Mr Trevor Bourne	Director (Non-executive/Independent)
Date of appointment:	2 March 2006
Board committees:	OHS & Environmental Risk Committee (Chairman), Audit Committee and Nomination Committee

Trevor brings to the Board broad management experience in industrial and capital intensive industries, and a background in engineering and supply chain. From 1999 to 2003, he served as CEO of Tenix Investments. Prior to Tenix, Trevor spent 15 years at Brambles Industries, including six years as Managing Director of Brambles Australasia. He has also previously worked for Incitec Pivot and BHP.

Trevor is a director of Origin Energy Limited (appointed February 2000) and was previously the Chairman of Hastie Group Limited (where he served as a director from February 2005 until 15 February 2012).

Trevor holds a Bachelor of Science (Mechanical Engineering) from the University of New South Wales and a Master of Business Administration from the University of Newcastle.

Mr Brant Fish	Director (Non-executive)
Date of appointment:	27 July 2006
Board committees:	Human Resources Committee and Nomination Committee

Brant brings significant downstream oil industry experience to Caltex, particularly in the areas of supply chain, refining and marketing. He currently serves as the Global Vice President of Joint Ventures & Affiliates for Chevron International Products. Brant is based in Singapore. He was previously the General Manager of Supply Chain Optimization – Asia Pacific for Chevron U.S.A. Inc., with accountability for overall Chevron Downstream earnings in Asia Pacific – from refinery crude supply to a consumer or export sale.

Brant holds a Bachelor of Science (Mechanical Engineering) from the University of Florida (US).

Brant previously served as an alternate director of Caltex Australia Limited (April 2005 to July 2006).

Mr Greig Gailey	Director (Non-executive/Independent)
Date of appointment:	11 December 2007
Board committees:	Human Resources Committee (Chairman), Audit Committee, Nomination Committee and OHS & Environmental Risk Committee

Greig brings to the Board extensive Australian and international oil industry experience, and a management background from industrial and capital intensive industries. From 1964 to 1998, he worked at British Petroleum Company (BP) where he held various positions throughout Australia and offshore, including management of refining, supply and distribution in Australia and Europe. Greig was subsequently appointed CEO of Fletcher Challenge Energy (New Zealand), a position he held from 1998 to 2001. In August 2001, he joined Pasminco Limited as CEO. Pasminco was transformed and relisted as Zinifex Limited on the ASX in April 2004, and Greig became Managing Director & CEO of Zinifex Limited from that date until standing down in June 2007.

Greig is Chairman of Horizon Roads and the Board of Trustees of the Energy & Minerals Institute at the University of Western Australia and a director of the Australian Davos Connection and the Victorian Opera Company.

Greig holds a Bachelor of Economics from the University of Queensland.

Mr Timothy (Tim) Leveille	Director (Non-executive)
Date of appointment:	1 December 2010
Board committees:	Nomination Committee

Tim brings considerable oil industry and financial management experience to the Board. He is the Assistant Treasurer Opco Support and Intercompany in Chevron's Corporate Treasury department and is responsible for oversight and support for the financing activities of Chevron operating companies worldwide and for the company's global intercompany funding and cash repatriation activities. Since joining Chevron in 1987, his experience has encompassed a range of financial management roles across a number of Chevron companies in the US and internationally, before being appointed to his current role in July 2009. He is based in the US.

Tim is a licensed Certified Public Accountant (US) and holds a Bachelor of Science (Accounting and Computer Science) from Boston College (US) and a Master of Business Administration (Finance and International Markets) from Columbia University (US).

Board profiles (continued)

Mr Walter (Walt) Szopiak	Director (Non-executive)
Date of appointment:	1 September 2010
Board committees:	Nomination Committee and OHS & Environmental Risk Committee

Walt brings considerable international oil industry and operations management knowledge and experience to the Board. He currently serves as the General Manager – Manufacturing & Supply for Chevron Oronite, Asia Pacific and is responsible for the manufacturing and supply activities for Chevron Oronite's additives business in the Asia Pacific region. He was previously the General Manager – Manufacturing Business Development for Chevron Global Manufacturing before being appointed to his current role in May 2010. Walt has worked for Chevron for over 25 years and has served in a range of technical and operations management and supply chain optimisation roles. He is based in Singapore.

Walt holds a Bachelor of Science (Chemical Engineering) from Virginia Polytechnic Institute (US).

Walt previously served as an alternate director of Caltex Australia Limited (April 2009 to August 2010).

Mr John Thorn	Director (Non-executive/Independent)
Date of appointment:	2 June 2004
Board committees:	Audit Committee (Chairman), Human Resources Committee and Nomination Committee

John brings expertise to the Board in accounting and financial services, business advisory, risk and general management. He has over 37 years of professional experience with PricewaterhouseCoopers, where he was a partner from 1982 to 2003 and was responsible for major international and local clients. During this period he served as the Managing Partner of PricewaterhouseCoopers' Assurance and Business Advisory Service practice from 1998 to 2001. He was the National Managing Partner of PricewaterhouseCoopers until 2003.

John is a director of Amcor Limited (appointed December 2004), National Australia Bank Limited (appointed October 2003) and Salmat Limited (appointed September 2003).

John is a Fellow of the Institute of Chartered Accountants in Australia.

Ms Colleen Jones-Cervantes	Alternate director
Date of appointment:	1 September 2010 for Mr Brant Fish and Mr Walt Szopiak and 1 December 2010 for Mr Tim Leveille

Colleen currently serves as Chevron's Vice President – Product Supply & Trading and has global responsibility for the supply of non-crude oil feedstocks to Chevron's refining system, refined products supply and trading, marine fuels marketing and biofuels supply and trading. Her organisation operates from four trading hubs in London, Singapore, the US gulf coast and the US west coast and provides coverage to all of Chevron's downstream geography. Colleen is based in the US. She was previously the Vice President of Global Marketing for the Asia Pacific region and was based in Singapore.

Colleen holds a Bachelor of Science (Mechanical Engineering) from Michigan Technological University (US).

Colleen previously served as a non-executive director of Caltex Australia Limited (June 2008 to August 2010) and as an alternate director of Caltex Australia Limited (July 2006 to May 2008).

Review of results and operations

General overview

On an historic cost basis (including inventory gains), Caltex recorded an after tax loss of \$714 million for the 2011 full year, including significant items of approximately \$1,116 million (after tax), primarily for the impairment of the refinery assets announced on 16 February 2012. This compares with the 2010 full year profit of \$317 million, including significant items of \$16 million (after tax). The 2011 result includes product and crude oil inventory gains of \$138 million after tax as the average Dated Brent price rose from US\$79.46 in 2010 to US\$111.27, compared with an inventory gain of \$15 million after tax in 2010 when the crude price was more stable.

Refinery asset impairment

The recent deterioration in the performance of the refining business unit due to the challenging external environment (including the ongoing strength of the Australian dollar, lower refiner margins and increasing costs) is expected to be sustained for a prolonged period. This has impacted refinery asset carrying values with a non-cash reduction in book value of \$1.5 billion before tax.

Replacement Cost Operating Profit

On a replacement cost of sales operating profit (RCOP) basis, Caltex recorded an after tax profit for the 2011 full year of \$264 million, excluding significant items. This compares with \$318 million for the 2010 full year (excluding significant items). The difference between 2010 and 2011 is largely attributable to deteriorating externalities and operational disruptions during 2011. These externalities include a higher Australian dollar and a wider light-heavy crude oil price spread, both of which reduced the Australian dollar Caltex Refiner Margin¹.

Best ever safety result

For the second consecutive year Caltex achieved a best ever safety result. In 2011 the lost time injury frequency rate reduced 27% to 0.99 per million hours worked compared to 1.35 per million hours worked in 2010.

Another record Marketing result

Marketing's earnings before interest and tax (EBIT) increased by more than 20% when compared with 2010. This result was achieved through growth in sales of premium petrol, diesel, jet fuel, lubricants and non fuel income. This growth was supported by the investment in retail store upgrades and supply chain infrastructure, including the opening of the expanded Port Hedland terminal. This excellent 2011 EBIT result continues an annual growth rate of over 13% since 2007.

Externalities and unplanned outages drive loss in Refining

The majority of the decline in profitability of the Refining business was due to deteriorating externalities, particularly the high Australian Dollar which rose from an average of 91.96 cents in 2010 to 103.24 cents, an increase of over 12%. Underlying cash operating expenses were well controlled with an increase lower than the Consumer Price Index (CPI) for the second year in a row. Good progress is being made on the Refining Improvement Initiative with many of the initiatives expected to deliver value in 2012 and beyond. However, the benefit of cost and efficiency improvements was offset by the impact of unplanned outages.

Refinery review

The poor 2011 refining performance and the continuing difficult 2012 outlook for the company's Refining business led Caltex to commence a major study into the role of its refineries in its supply chain, as previously announced in August last year.

The overarching objective of this review is to optimise value for shareholders and, to that end, Caltex continues to thoroughly evaluate all options to improve the 'as-is' business, ranging from investing to improve Refinery performance, or closing if Caltex is able to import product at a competitive price. Continuation of the status quo is not sustainable.

The outcome of the review is expected to be known in approximately six months as there are many issues to consider. The detailed review is assessing issues such as the supply alternatives for Caltex's Marketing and Distribution business, the risk associated with each strategic option and the impact of possible decisions on a broad range of stakeholders. Caltex remains strongly committed, as always, to safe and reliable operations.

Balance sheet remains strong

Net debt at 31 December 2011 is \$617 million, compared with \$544 million at 31 December 2010. Caltex is committed to maintaining a BBB+/Stable credit rating that was recently reaffirmed after the announcement of the write down of refinery assets.

¹ The Caltex Refiner Margin (CRM) represents the difference between the cost of importing a standard Caltex basket of products to Eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight - crude freight - yield loss.

Review of results and operations (continued)

Marketing and Distribution business is strong and continues to grow

The Caltex Marketing and Distribution business is strong, and Caltex is continuing to build its position as Australia's leading supplier of petroleum fuels by further investment in the company's supply chain. Caltex supplies over one third of all transport fuels in Australia and remains committed to maintaining reliable supply to its commercial and retail customers.

Dividend

The Board is pleased to announce it has declared a final dividend of 28 cents per share (fully franked) for 2011 (a total of \$76 million), bringing the total dividend payout for 2011 to 45 cents per share (fully franked) after the interim dividend of 17 cents per share, paid on 27 September 2011. The record date in relation to the final 2011 dividend is 13 March 2012, with the dividend payable on 3 April 2012.

This compares with a total dividend payout for 2010 of 60 cents per share (fully franked). The final 2010 dividend of 30 cents per share (a total of \$81 million) was paid on 29 March 2011.

Principal activities and state of affairs

The principal activities of Caltex during the year were the purchase, refining, distribution and marketing of petroleum products and the operation of convenience stores throughout Australia. There were no significant changes in the nature of Caltex's principal activities or in the state of affairs during the financial year.

Events subsequent to the end of the year

No items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group in subsequent financial years, have arisen in the period from 31 December 2011 to the date of this report.

Likely developments

Business operations

Caltex will continue to purchase, refine, distribute and market petroleum products and operate convenience stores throughout Australia.

Outlook

The marketing outlook is positive and will be maintained by accelerated investment to maintain its strong growth trajectory. However the conditions that are assisting to drive volume growth in Caltex's Marketing business are contributing to the strong Australian dollar that continues to pressure Refining's earnings.

The refinery review is in progress and continues to evaluate all options from investment to closure or some combination of these. As previously advised the decision is approximately 6 months away as the myriad of complexities continue to be investigated. The overarching objective of the refinery review is to optimise value for shareholders.

Clean Energy Future (CEF) legislation

In 2011, the Australian Government's CEF package of legislation was enacted. The package includes the Carbon Price Mechanism (CPM) and provision of free permits to help competitiveness. Unlike the earlier proposed Carbon Pollution Reduction Scheme (CPRS), Caltex will not have to purchase any permits for customers' emissions.

A price on carbon will have an impact on Caltex: within Refining as an emissions-intensive trade-exposed industry; and across all business units through increased costs, such as electricity charges and other third party costs impacted by the CPM cost pass-through.

The CPM will apply directly to facilities which emit at least 25,000 tonnes of carbon dioxide equivalent annually. For Caltex, our refineries are liable entities under the CPM.

Caltex believes that to ensure a level playing field, the international competitiveness of emissions-intensive, trade-exposed industries such as petroleum refining must be fully maintained. In practice, maintaining competitiveness means a free allocation of carbon permits until international competitors face the same effective carbon price as Australian refiners. Under the CEF scheme, petroleum refining will receive the highest rate of assistance via the Jobs and Competitiveness Program (JCP). This assistance provides less than full maintenance of international competitiveness for the sector.

Clean Energy Future (CEF) legislation (continued)

The CEF legislation will also impact Caltex's non-refining operations through carbon cost pass-through from suppliers. An expected impact will be an estimated increase in electricity supply costs for these operations of approximately \$1.2 million per year during the fixed price period.

The estimated cumulative cost to Caltex over the first 10 years of the CEF scheme is approximately \$25 million before tax. This assumes that direct and indirect emissions over the period are the same as for 2010 to 2011, that electricity pass through costs are at the carbon price, and carbon prices are the same as in Treasury modelling. While illustrative of the cost impact to Caltex, these are estimates only as the impact of further pass-through costs as a result of the CEF legislative package, such as increased air travel costs and increased construction capital costs, are as yet undetermined.

Environmental regulations

Caltex is committed to compliance with Australian laws, regulations and standards, as well as minimising the impact of our operations on the environment. The Board's OHS & Environmental Risk Committee seeks to address the appropriateness of Caltex's OHS and environmental practices to manage material health, safety and environmental risks, so that these risks are managed in the best interests of Caltex and its stakeholders.

Caltex sets key performance indicators to measure environmental, health and safety performance and drive improvements against targets. In addition to review by the Board, progress against these performance measures is monitored regularly by the Managing Director & CEO with General Managers and Business Unit Managers.

Risks are examined and communicated through the Caltex Risk Management Framework, an enterprise-wide risk management system which provides a consistent approach to identifying and assessing all risks, including environmental risks. Under the framework, risks and controls are assessed, improvements identified, and regular reports are made to management and the Board.

The Caltex Operational Excellence Management System is designed to ensure that operations are carried out in an environmentally sound, safe, secure, reliable and efficient manner. Its operating standards and procedures support the Caltex Environment Policy, and Caltex Health and Safety Policy.

In 2011, Caltex made its third submission under the National Greenhouse and Energy Reporting Scheme, reporting energy consumption and production as well as greenhouse gas emissions from Group operations.

Caltex also published its fourth public report under the federal Energy Efficiency Opportunities program, communicating energy savings achieved. Caltex also continued to disclose information on emissions under the National Pollutant Inventory. Caltex is also a signatory to the Australian Packaging Covenant and has submitted a five year action plan in accordance with the requirements.

Compliance with environmental regulations

A total of 17 environmental protection licences were held by companies in the Caltex Australia Group in 2011 for two refinery sites, 10 terminals, two marketing facilities and one aviation refuelling facility.

Any instances of non-compliance against these licences were reported to the environmental regulator in each state. All significant spills and environmental incidents were recorded and reported as required to government authorities.

Caltex received one penalty infringement notice for \$600 from the Tasmanian EPA (Environmental Protection Agency) in 2011 due to late submission of a report relating to service station remediation.

Regular internal audits are carried out to assess the efficacy of management systems to prevent environmental incidents, as well as control other operational risks. Improvement actions determined through the audit process are reviewed by the Board's OHS & Environmental Risk Committee and senior management. Caltex is committed to achieving 100% compliance with environmental regulations, and all breaches have been investigated thoroughly and corrective actions taken to prevent recurrence.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 43 and forms part of the Directors' Report for the financial year ended 31 December 2011.

Remuneration Report

The directors of Caltex Australia Limited present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act* for the Caltex Australia Group for the year ended 31 December 2011.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act*, apart from where it is indicated that the information is unaudited. This Remuneration Report forms part of the Directors' Report. Key terms are defined in the Glossary of Terms section at the end of the Annual Report.

There have been no significant changes to the remuneration structure during the financial year.

1. Remuneration summary

1a. Executive Director and Senior Executives¹

Julian Segal	Managing Director & CEO
Simon Hepworth	Chief Financial Officer
Ken James	General Manager – Supply and Distribution
Peter Lim	Company Secretary and General Counsel – appointed 28 March 2011 to an acting role, appointed permanently to the role 1 January 2012
Mike McMenamin	General Manager – Strategy, Planning and Development
Gary Smith	General Manager – Refining
Andy Walz	General Manager – Marketing
Simon Willshire	General Manager – Human Resources

Former

Helen Conway	General Manager – Office of the CEO, Company Secretary and General Counsel, until 8 April 2011
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Element of remuneration	Summary	Sections
Fixed remuneration	Fixed remuneration is set at the market median by reference to benchmark information for comparable roles. For the 2011 fixed remuneration review for Senior Executives, Caltex applied an overall increase of 4.5% with actual increases depending on individual performance and level of salary relative to the market median. An additional increase was provided for a promotion.	3a
Short Term Incentive (STI)	The Caltex Rewarding Results Plan was introduced in 2010 and is in its second year of operation. Participation in the Rewarding Results Plan gives employees the opportunity to earn a short term incentive if they achieve Caltex, departmental and individual performance targets which are linked to the achievement of the annual business plan. No short term incentives are paid if less than 80% of business plan RCOP NPAT is delivered. Performance in 2011 was achieved above this threshold level of performance. Individual performance scorecards focus primarily on the delivery of Caltex financial objectives and critical business initiatives to emphasise the shared accountability for Caltex performance. The aim of the Rewarding Results Plan is to incentivise significant over plan performance. The maximum amounts payable for Senior Executives when stretching performance targets have been achieved range between 92% and 100% of base salary	3d

¹ Throughout this Remuneration Report, Senior Executives of Caltex refers to:

- the five most highly remunerated company executives, and
- all other executives who fall within the definition of key management personnel of Caltex (being those persons with authority and responsibility for planning, directing and controlling the activities of Caltex) including the Managing Director & CEO. This group is also referred to as the Caltex Leadership Team (CLT) in this report.

Remuneration Report (continued)**1. Remuneration summary (continued)****1a. Executive Director and Senior Executives (continued)**

Short Term Incentive (STI) (continued)	depending on role. The amounts payable "at target" range from 46% to 50% depending on role. A mandatory deferral of short term incentives applies to the Managing Director & CEO, the Caltex Leadership Team as well as other senior managers. Under the deferral, one third of the short term incentive (as long as the incentive is greater than \$105,000) will be delivered in Caltex shares, which have a six month service related forfeiture risk and are restricted from sale for 2 years. Average 2011 STI outcomes, including the Managing Director & CEO, were 53% of base salary (85% in 2010). Although 2011 performance was strong against many of the key performance indicators, actual short term incentives paid for 2011 were lower than in 2010. The reduced outcomes this year predominantly reflected lower Caltex RCOP NPAT performance against the business plan target in 2011 after the exclusion of significant items. In comparison, 2010 RCOP NPAT performance was above the business plan target.	3d
Long Term Incentive (LTI)	The Caltex Equity Incentive Plan (CEIP) gives participants the opportunity to receive Caltex shares in the future if challenging performance targets are achieved. The measure of performance is Total Shareholder Return (TSR) over a three year period relative to two comparator groups each with a 50% weighting (being the members of the ASX 100 Accumulation Index and, separately, eight international refining and marketing companies). For grants in 2010 and 2011, the level of performance required for 100% vesting is the 90th percentile (compared to typical market practice being the 75th percentile) and the level of performance for 50% vesting is the 62.5th percentile (compared to typical market practice being the 50th percentile). At the 50th percentile level of performance only 33.33% of rights would vest. Grants made under the CEIP in 2009 (which had different performance hurdles) vested at 31 December 2011 for each of the two comparator groups. Caltex performance for the 2009 to 2011 performance period was above the 90th percentile against the ASX 100 Accumulation Index group and above the median of the selected group of international refining and marketing companies. As a result, 82% of the 2009 grant vested at 31 December 2011 and the remaining 18% lapsed.	3e
Post employment	In addition to any statutory entitlement, Executives may be entitled to post employment benefits depending on the circumstances in which their employment is terminated. An example of such benefits is the continuation of pre-existing long term incentive grants until the expiry of the original three year performance period in circumstances other than resignation or dismissal.	3g
Appointments	Peter Lim was appointed to the role of Company Secretary and General Counsel effective 1 January 2012 after undertaking the role in an acting capacity from 28 March 2011.	

Remuneration Report (continued)

1. Remuneration summary (continued)

1b. Non-executive directors

Current directors

Ms Elizabeth Bryan (Chairman)

Mr Trevor Bourne

Mr Brant Fish*

Mr Greig Gailey

Mr Tim Leveille*

Mr Walt Szopiak*

Mr John Thorn

* Ms Colleen Jones-Cervantes – serves as alternate director for Mr Fish, Mr Leveille and Mr Szopiak.

Element of remuneration	Summary	Sections
Fees	Remuneration for non-executive directors is fixed, and does not have any variable components.	4a
	The non-executive directors do not participate in any Caltex incentive or bonus schemes.	4a
	Fees for non-executive directors are reviewed by the Human Resources Committee, which engages an independent expert to provide advice and recommendations. Fees are then set by the Board.	4b
Superannuation and retirement benefits	Superannuation contributions are made at a rate of 9%. Superannuation is not paid for overseas directors. No additional retirement benefits are paid.	4a
Total remuneration pool	Fees paid to non-executive directors are subject to a maximum annual Board remuneration pool of \$2,000,000 (including superannuation). This pool was approved by shareholders at the Annual General Meeting held on 22 April 2010, with effect from 1 May 2010.	4b

2. Board oversight

The Board takes an active role in the governance and oversight of Caltex's remuneration policies and practices. The Human Resources Committee (Committee) assists the Board in relation to Caltex's remuneration framework and seeks to ensure that appropriate remuneration arrangements are in place and that practices are clear and understandable. The Committee undertakes functions delegated by the Board, including approving Caltex's annual remuneration program and aspects of its incentive schemes. The Committee's charter is available from our website (www.caltex.com.au).

The Committee is independent of management and obtains advice from independent experts as necessary. The use of external specialists to provide advice and recommendations in relation to the remuneration of non-executive directors, the Managing Director & CEO and Senior Executives is either initiated directly or approved by the Committee, and these specialists are directly engaged by the Committee Chairman.

Remuneration Report (continued)

2. Board oversight (continued)

During 2011, the Committee and/or the Board received independent advice or information from the following organisations:

Organisation	Purpose	Role
Godfrey Remuneration Group	Remuneration benchmarking information for • non-executive directors • Managing Director & CEO • Senior Executives	Advice and recommendations
Ernst & Young	Valuation of performance rights. Taxation information relating to long term incentives and deferral of short term incentive into Caltex shares	Information
Egan Associates	Assessment of Caltex's relative TSR performance relating to vesting of performance rights	Information

3. Executive Director and executive remuneration

3a. Remuneration philosophy and structure

The overarching goal of the Caltex remuneration philosophy and structure is the delivery of superior shareholder returns. The guiding philosophy for how Caltex rewards Senior Executives and all other employees is:

- **Alignment with shareholders' interests** – the payment of variable incentives is dependent upon achieving financial and non-financial performance hurdles that are aligned with shareholders' interests.
- **Performance focused and differentiated** – Caltex's reward and performance planning and review systems are closely integrated to maintain a strong emphasis and accountability for performance at the company, department and individual levels. Rewards are differentiated to incentivise and reward superior performance and appropriate employee behaviours.
- **Market competitive** – all elements of remuneration are set at competitive levels for comparable roles in Australia and allow Caltex to attract and retain quality candidates in the talent market.

Caltex uses a Total Reward Value approach consisting of three main elements:

1. **Fixed remuneration** – comprising base salary and allowances,
2. **Variable, at risk remuneration** – comprising a mix of cash and equity based incentives payable upon the achievement of financial and non-financial performance hurdles, and
3. **Superannuation** – generally payable at a rate of 9% of base salary plus any cash incentive payments and is included in the calculation of Total Reward Value for comparison purposes.

Caltex undertakes regular monitoring and comparison of the market competitiveness of each executive's remuneration using the Total Reward Value approach.

Alignment with strategy

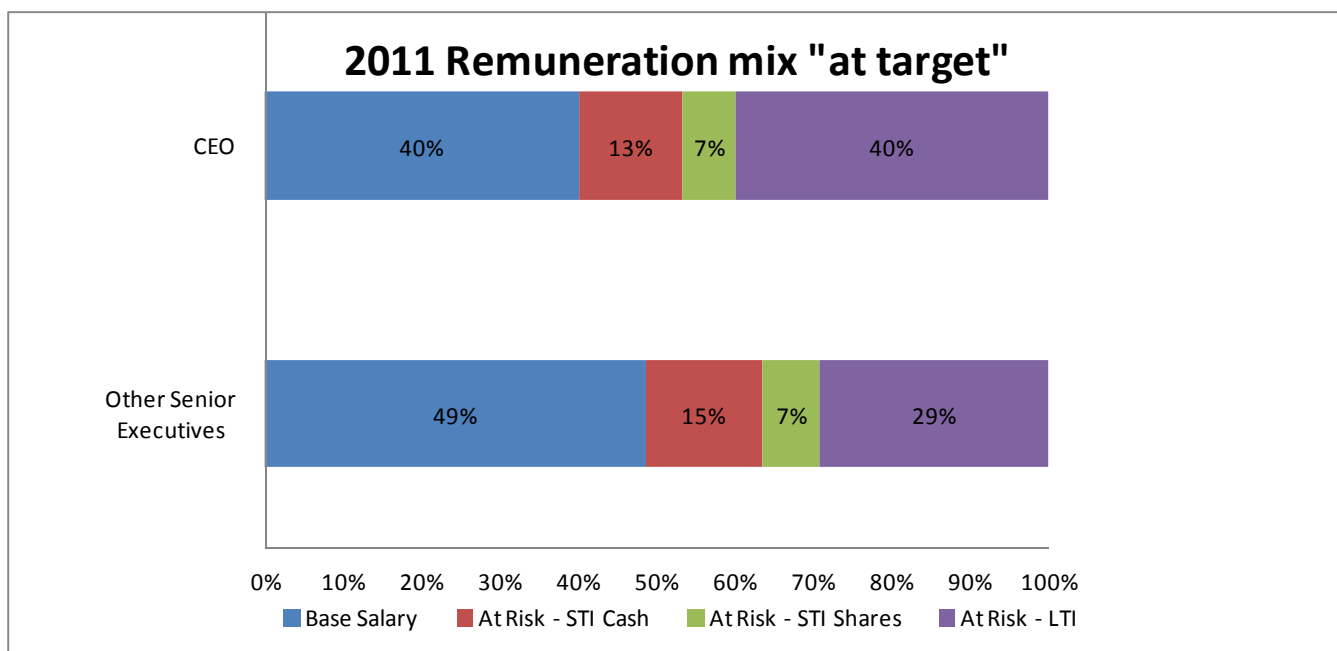
Cash incentives reward the delivery of stretching but potentially attainable annual financial and non-financial performance measures and long term equity based incentives reward the delivery of superior total shareholder returns relative to Caltex's peers over the longer term (three years). The performance measures set are in many cases relative and not absolute and are designed to provide rewards when Caltex exceeds the performance of peers and competitors or delivers upon strategically important outcomes.

At Caltex, incentives are not designed as "profit sharing arrangements" and as such performance measures may factor in externalities which management cannot control (such as global refining margins). There will be occasions when incentives are paid when externalities such as the refiner margins and exchange rate fluctuations and their implications may have reduced overall shareholder returns. Equally, incentives may not be paid when externalities are favourable to shareholders but the company's relative performance is poor.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3b. Pay mix and pay market competitiveness**

Fixed remuneration is reviewed annually and set relative to the skills and accountabilities of the executive and is aligned to the market median of Australian industry benchmarks. Total Reward Value is set at the market median of the benchmarks for "at target" performance with the opportunity to earn Total Reward Value above the market median for above target stretch performance.

Performance based, at risk, remuneration targets are set annually as a proportion of base salary. Short term incentives (involving both cash and equity) are managed via the Rewarding Results Plan and long term equity based incentives via the Caltex Equity Incentive Plan (CEIP). Further information on these reward plans is set out below. The "at target" pay mix for the Managing Director & CEO and Senior Executive group is detailed in the diagram titled 2011 Remuneration mix "at target". The pay mix targets are aimed at rewarding the delivery of superior shareholder returns. By way of comparison, Caltex has a larger than average LTI component than current market practice. Research undertaken by Caltex during 2011 confirmed that Caltex has tougher long term incentive vesting conditions than most ASX 50 companies and that Caltex long term incentive vests more gradually as relative performance improves.



Notes:

1. STI cash and STI shares comprises the incentive provided through the Rewarding Results Plan. "At target" performance, two thirds is payable as cash and one third is deferred into shares. For other Senior Executives the "at target" remuneration mix is representative of a 46% of base salary STI target.
2. LTI comprises performance rights granted under the CEIP.
3. The 2011 remuneration mix represents the value of LTI at 75th percentile TSR performance. Initial grants of performance rights under CEIP are made at the maximum or stretch level being 150% of Base Salary for the Managing Director & CEO and at 90% of Base Salary for Senior Executives. Executives will only receive 100% of the initial grant if the performance measure (relative TSR) is at or above the 90th percentile for both comparator groups.

The Total Reward Value and pay mix for the Managing Director & CEO is set out in his service agreement and his base salary is reviewed annually by the Committee and approved by the Board, utilising remuneration information provided by independent consultants for Australian roles with similar skills, accountabilities and performance expectations.

The Total Reward Value and pay mix for other Senior Executive members is reviewed regularly by the Committee and approved by the Board, as appropriate on the basis of recommendations from the Managing Director & CEO, utilising remuneration information provided by independent consultants for Australian roles with similar skills, accountabilities and performance expectations.

3c. Setting and evaluating the performance of executives in 2011

Performance measures for 2011 were derived from the business plan in line with the company direction set by the Board. The Board approved the 2011 business plan and has regularly monitored and reviewed progress against plan milestones and targets.

Remuneration Report (continued)

3. Executive Director and executive remuneration (continued)

3c. Setting and evaluating the performance of executives in 2011 (continued)

The approved Caltex business plan was then translated into departmental objectives. The company objectives were approved by the Committee prior to the commencement of the performance year.

Within each business unit, specific performance agreements were then developed for individual employees, thus completing the link between employees and delivery of the business plan. Performance agreements must be agreed between the employee and his or her manager. Senior Executives set their performance agreements jointly with the Managing Director & CEO.

Examples of the key Caltex success measures for 2011, as approved by the Committee, are set out below. These measures were selected because they were identified as important financial and operational drivers which would determine the success of Caltex in 2011.

2011 Caltex success measures

Individual scorecards are set for each member of the executive team and the objectives will typically include the following types of measures:

Financial

- RCOP NPAT – see explanation below,
- Free Cash Flow – the generation of sufficient cash flow to pursue growth opportunities and pay dividends,
- Earnings Before Interest and Tax (EBIT) – the internal measure of financial performance at a departmental level for each of Marketing, Refining and Supply and Distribution,
- Cost Efficiency - management of operating costs and optimisation of capital expenditure to improve the profitability of the business,
- Sales Volumes, and
- Net Available Margin (NAM).

Non-financial

- Safety is seen as critical to the successful operation of Caltex's business and in 2011 scorecards were measured by Total Treatable Injury Frequency Rate (TTIFR),
- Delivery of major infrastructure and strategic projects - examples of 2011 projects include the upgrade of a facility at Port Hedland and the ongoing enhancement of Caltex's supply chain capabilities, and
- Leadership – progress towards achievement of strategic objectives in the areas of diversity and the development and retention of key talent.

RCOP NPAT (explanation of the relevance of this measure to the Caltex business and treatment of significant items)

The Board has selected RCOP NPAT as the primary measure for the short term incentive for Caltex management because RCOP NPAT removes the impact of inventory gains and losses, giving a truer reflection of underlying financial performance.

Gains and losses in the value of inventory due to fluctuations in the AUD price of crude (which is impacted by both the USD price of crude and the foreign exchange rate) constitute a major external influence on Caltex's profits. RCOP NPAT restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the methods used by other refining and marketing companies for restatement of their financials.

As a general rule, an increase in crude prices on an Australian dollar basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45 to 60 days of inventory, revenues reflect current prices in Singapore whereas FIFO costings reflect costs some 45 to 60 days earlier. The timing difference creates these inventory gains and losses.

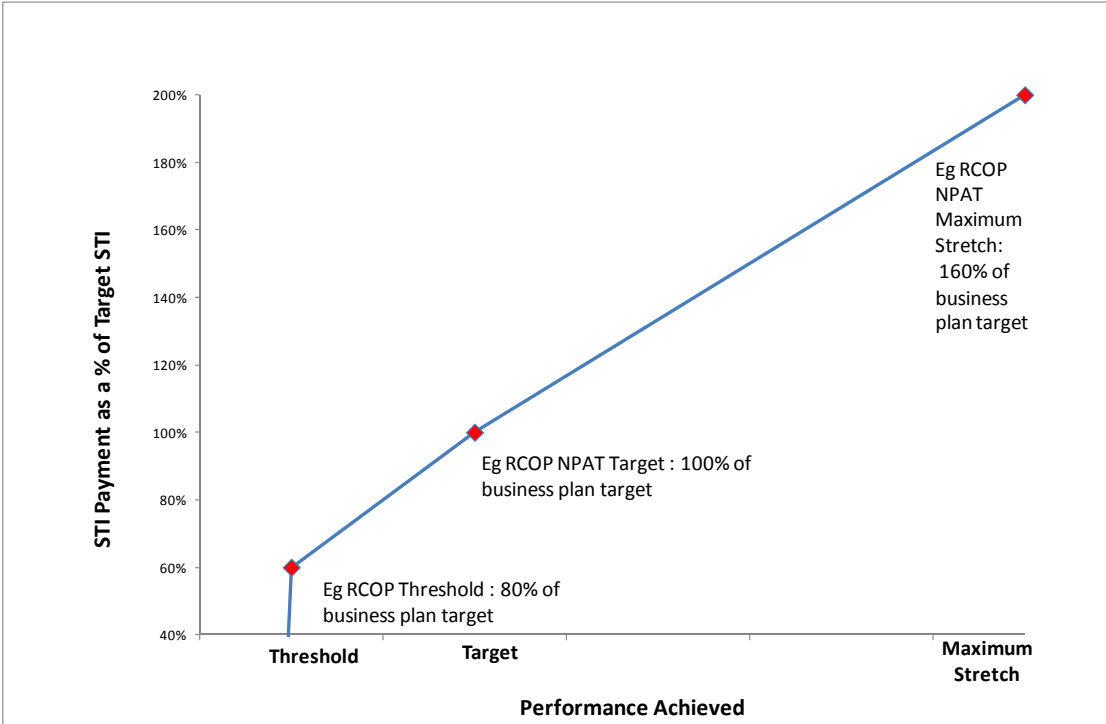
To remove the impact of this factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales.

Each year the Board reviews any significant items, positive and negative, and considers their relevance to the RCOP NPAT result. Generally the Board will exclude any events from RCOP NPAT that Management and the Board consider to be outside the scope of usual business. These are excluded to give a truer reflection of underlying financial performance from one period to the next.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3d. Performance - based "at risk" remuneration – 2011 Rewarding Results STI Plan**

Performance period	Annual payment based on assessed performance during the 12 month period ended 31 December 2011 but paid in April 2012.																							
2011 target and maximum opportunity levels	Managing Director & CEO – between 50% of base salary “at target” and 100% at Maximum Stretch. Other Senior Executives – between 46% and 50% of base salary “at target” and 92% and 100% at Maximum Stretch depending upon role.																							
Scheme rationale	The Rewarding Results Plan replaced previous arrangements in 2010 as a part of the cultural reshaping of Caltex. The Board believes it has simplified the previous arrangements whilst further strengthening and reinforcing the alignment of reward with the creation of shareholder value and market competitiveness. The Board believes that the Rewarding Results Plan is in the best interests of shareholders because it: • establishes the primacy of financial performance and emphasises the overall integrated performance of the company, and • focuses the company on executing the most critical initiatives and delivering critical outcomes at all stages of the economic and business cycle.																							
Performance measures and assessment	Rewarding Results (R²) Plan and STI payment <table><tr><th>Performance measure</th><th>Performance 2011</th></tr><tr><td>RCOP NPAT</td><td>Above business plan threshold</td></tr><tr><td>Free Cash Flow</td><td>At business plan target</td></tr><tr><td>EBIT Marketing</td><td>Above business plan target</td></tr><tr><td>EBIT Uplift Refining, Supply and Distribution</td><td>Above business plan target</td></tr><tr><td>Cost Efficiency</td><td>Above business plan target</td></tr><tr><td>Safety</td><td>Caltex reported TTIFR of 2.53 per million man hours (0.51/200,000) and an LTIFR of 0.99 per million man hours – including employees and contractors. Although safety performance was above target in Marketing and Supply and Distribution it was below threshold in Refining.</td></tr><tr><td>NAM (\$'000s)</td><td>Above business plan target</td></tr><tr><td>Sales (ML)</td><td>Above business plan threshold</td></tr><tr><td>Project Delivery</td><td>Major projects were delivered to required performance targets.</td></tr><tr><td>Talent and Diversity Leadership</td><td>Stretch performance was achieved in the execution of Caltex's diversity action plan and all objectives were met in the area of talent leadership.</td></tr></table>		Performance measure	Performance 2011	RCOP NPAT	Above business plan threshold	Free Cash Flow	At business plan target	EBIT Marketing	Above business plan target	EBIT Uplift Refining, Supply and Distribution	Above business plan target	Cost Efficiency	Above business plan target	Safety	Caltex reported TTIFR of 2.53 per million man hours (0.51/200,000) and an LTIFR of 0.99 per million man hours – including employees and contractors. Although safety performance was above target in Marketing and Supply and Distribution it was below threshold in Refining.	NAM (\$'000s)	Above business plan target	Sales (ML)	Above business plan threshold	Project Delivery	Major projects were delivered to required performance targets.	Talent and Diversity Leadership	Stretch performance was achieved in the execution of Caltex's diversity action plan and all objectives were met in the area of talent leadership.
Performance measure	Performance 2011																							
RCOP NPAT	Above business plan threshold																							
Free Cash Flow	At business plan target																							
EBIT Marketing	Above business plan target																							
EBIT Uplift Refining, Supply and Distribution	Above business plan target																							
Cost Efficiency	Above business plan target																							
Safety	Caltex reported TTIFR of 2.53 per million man hours (0.51/200,000) and an LTIFR of 0.99 per million man hours – including employees and contractors. Although safety performance was above target in Marketing and Supply and Distribution it was below threshold in Refining.																							
NAM (\$'000s)	Above business plan target																							
Sales (ML)	Above business plan threshold																							
Project Delivery	Major projects were delivered to required performance targets.																							
Talent and Diversity Leadership	Stretch performance was achieved in the execution of Caltex's diversity action plan and all objectives were met in the area of talent leadership.																							
How reward outcomes are funded	Caltex and department performance in terms of the above measures determines the funding of the incentive pool. RCOP NPAT performance must be 80% of the business plan before any incentive opportunity is payable.																							

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3d. Performance - based “at risk” remuneration – 2011 Rewarding Results STI Plan (continued)**

How reward outcomes are funded (continued)	Objectives that are relevant to each executive are set with a Threshold, Target and Maximum Stretch level of performance expected, with at least 50% of scorecard items weighted for RCOP NPAT and Free Cash Flow. Funding of the reward outcomes are modelled and monitored regularly. The following chart reflects the STI payment potential outcomes with the performance levels required to be achieved, with zero STI payment if RCOP NPAT performance is below 80% of business plan and a potential 200% of “at target” bonus if Maximum Stretch performance is achieved. How reward outcomes are funded  <table><caption>Data points from the STI Payment chart</caption><thead><tr><th>Performance Level</th><th>STI Payment as a % of Target STI</th><th>Example Metric</th></tr></thead><tbody><tr><td>Threshold</td><td>60%</td><td>Eg RCOP Threshold : 80% of business plan target</td></tr><tr><td>Target</td><td>100%</td><td>Eg RCOP NPAT Target : 100% of business plan target</td></tr><tr><td>Maximum Stretch</td><td>200%</td><td>Eg RCOP NPAT Maximum Stretch: 160% of business plan target</td></tr></tbody></table>	Performance Level	STI Payment as a % of Target STI	Example Metric	Threshold	60%	Eg RCOP Threshold : 80% of business plan target	Target	100%	Eg RCOP NPAT Target : 100% of business plan target	Maximum Stretch	200%	Eg RCOP NPAT Maximum Stretch: 160% of business plan target
Performance Level	STI Payment as a % of Target STI	Example Metric											
Threshold	60%	Eg RCOP Threshold : 80% of business plan target											
Target	100%	Eg RCOP NPAT Target : 100% of business plan target											
Maximum Stretch	200%	Eg RCOP NPAT Maximum Stretch: 160% of business plan target											
Use of discretion	The Committee, in its advisory role, reviews proposed adjustments to Rewarding Results outcomes where there are unforeseen and uncontrollable impacts on the scorecard elements and makes recommendations for any scorecard changes, which may only be approved by the Board. KPMG assisted the Committee with the review of scorecard financial results in 2011 by performing agreed upon procedures to verify the calculated metrics. During 2011 discretion was exercised by the Board to exclude the impact of significant items from the RCOP NPAT result that were determined by the Board to be outside of the control of employees. Those items excluded from the Caltex 2011 RCOP NPAT result for incentive purposes were: • Asset impairment. • Restructuring expenses. • Other redundancy and related costs.												
Payment vehicle	For the Managing Director & CEO, the Senior Executives and other Senior Managers, one third of the award is deferred into equity if the cash value of the award exceeds \$105,000. These shares are subject to a six month service related forfeiture risk and a two year dealing restriction.												

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3e. Performance - based "at risk" remuneration - Caltex Equity Incentive Plan (CEIP)**

Performance period	Three years commencing 1 January 2011.														
2011 target and maximum opportunity levels	In 2011, the Managing Director & CEO received a grant of performance rights based on an LTI value of 150% maximum of base salary. 2011 grants to other Senior Executives were based on an LTI value of 90% maximum of base salary. The executives will only receive all of these rights if the performance measure as described below is achieved. For the entire initial grant (i.e. maximum) to vest, the relative TSR performance will need to be at the 90th percentile (typical market practice is the 75th percentile) for both comparator groups. If the relative TSR performance is at the Target (75th percentile), then 66.67% of the initial grant will vest and the remaining 33.33% will lapse. If the relative TSR performance is at the 50th percentile (where typical market practice grants 50% vesting) only 33.33% of the initial grant will vest and the remaining 66.67% will lapse.														
Performance measures (2010 and 2011 awards)	Relative TSR is assessed against two comparator groups: 50% of the performance rights are tied to relative performance against members of the ASX 100 Accumulation Index and 50% against a selection of eight international refining and marketing companies. The extent to which the awards vest is determined by Caltex percentile ranking against the following scale: <table> <tr> <th>Percentile ranking</th><th>% of award vesting</th></tr> <tr> <td>1. Less than 50th</td><td>0%</td></tr> <tr> <td>2. 50th</td><td>33.33%</td></tr> <tr> <td>3. Between 51st and 75th</td><td>Pro-rate between 2 and 4</td></tr> <tr> <td>4. Target 75th</td><td>66.67%</td></tr> <tr> <td>5. Between 75th and 90th</td><td>Pro-rate between 4 and 6</td></tr> <tr> <td>6. Maximum 90th or higher</td><td>100%</td></tr> </table> Any performance rights that do not vest upon testing of the performance hurdle automatically lapse. No retesting is undertaken. The international refining and marketing companies for the 2010 and 2011 performance years comprised Motor Oil Hellas Corinth Refineries SA (Greece), Neste Oil OY J (Finland), S-Oil Corporation (Korea), Sunoco Incorporated (USA), Tesoro Corporation (USA), Valero Energy Corporation (USA) and Western Refining Incorporated (USA). Frontier Oil Corporation (USA) merged with Holly Corporation in June 2011 and therefore no longer forms part of the 2010 and 2011 peer groups.	Percentile ranking	% of award vesting	1. Less than 50 th	0%	2. 50 th	33.33%	3. Between 51 st and 75 th	Pro-rate between 2 and 4	4. Target 75 th	66.67%	5. Between 75 th and 90 th	Pro-rate between 4 and 6	6. Maximum 90 th or higher	100%
Percentile ranking	% of award vesting														
1. Less than 50 th	0%														
2. 50 th	33.33%														
3. Between 51 st and 75 th	Pro-rate between 2 and 4														
4. Target 75 th	66.67%														
5. Between 75 th and 90 th	Pro-rate between 4 and 6														
6. Maximum 90 th or higher	100%														
Performance measures (2012 awards)	For the grants proposed in April 2012, the Board may amend weightings between the two comparator groups once the strategic review of Caltex's refinery operations is concluded.														
Payment vehicle	Performance rights are granted by the company for nil consideration. Each performance right is a right to receive a fully-paid ordinary share at no cost if the vesting conditions are satisfied. Performance rights do not carry voting or dividend rights; however, shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares. The number of rights to be initially granted is determined by dividing the maximum opportunity level by the market price of the shares at the date of grant discounted by the value of the annual dividend to which the rights are not entitled. Shares to satisfy vested performance rights are purchased on market at the time of vesting if the performance criteria are met and the rights vest.														
Why has the TSR hurdle been chosen?	The Board has selected a relative TSR measure because it provides direct alignment with shareholder outcomes and is a good indicator of profitable management of assets, operating efficiencies, progress in meeting Caltex's strategic objectives and long term performance. It provides a direct comparison of relative performance in a range of market conditions and only rewards executives when returns are at or above the median of peer companies against which Caltex competes for capital, customers or talent.														

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3e. Performance - based “at risk” remuneration - Caltex Equity Incentive Plan (CEIP) (continued)**

Why has the TSR hurdle been chosen? (continued)	Absolute TSR has not been selected because it does not distinctly separate the company's performance from overall market movements over which executives may have no control.
What if a participant ceases employment?	If a participant ceases to be an employee due to resignation, all unvested equity awards held by the participant will lapse, except in exceptional circumstances as approved by the Board. The Board has the discretion to determine the extent to which equity awards granted to a participant under the CEIP vest on a pro-rated basis where the participant ceases to be an employee of a Group company due to retirement, death, total and permanent disablement, bona fide redundancy or other reason with the approval of the Board. If no determination is made by the Board, all equity awards held by the participant will lapse.
What happens in the event of a change in control?	Any unvested performance rights may vest at the Board's discretion, having regard to pro-rated performance.

3f. Managing Director & CEO remuneration and Service Agreement

Julian Segal was formerly the Managing Director and CEO of Incitec Pivot. The terms of Mr Segal's appointment were announced to the market on 22 April 2009 and his total remuneration was set in line with his former arrangements. The Board sought external expert advice from Godfrey Remuneration Group to establish that the remuneration package was competitive and of the level necessary and reasonable to secure the services of a Managing Director & CEO of a top Australian publicly listed company of similar size and complexity. Within the structure of the Managing Director & CEO's total remuneration arrangements a significant proportion of the total potential remuneration is “at risk” and subject to Caltex's performance and the delivery of TSR relative to the separate members of the ASX 100 Accumulation Index and eight selected international refining and marketing companies.

For 2011, the Managing Director & CEO's total remuneration was split into fixed and “at risk” components as follows:

% of Total Target Remuneration (annualised)		
Fixed remuneration incl. superannuation	“At risk” – performance based	
	STI*	LTI
\$1,948,000	“At target”	“At target” – when TSR is at the 75 th percentile of peer companies
	\$924,000 (50% of Base Salary)	\$1,848,000 (100% of Base Salary)
	“Stretch”	“Stretch” – when TSR is at the 90 th percentile of peer companies
	\$1,848,000 (100% of Base Salary)	\$2,772,000 (150% of Base Salary)

* There is a mandatory deferral into equity of 33.3% of short term incentives above \$105,000.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3f. Managing Director & CEO remuneration and Service Agreement (continued)****Table 1. Summary of Managing Director & CEO's Service Agreement**

Term	Conditions
Duration	Ongoing until notice is given by either party
Termination by Senior Executive	Six months notice Company may elect to make payment in lieu of notice
Termination by company for cause	No notice requirement or termination benefits (other than accrued entitlements)
Termination by company (other)	12 months notice Termination payment of 12 months base salary (reduced by any payment in lieu of notice) Treatment of unvested STI and LTI in accordance with plan terms
Post-employment restraints	Restraint applies for 12 months if employed in the same industry within Australia

3g. Senior Executive Service Agreements

The remuneration and other terms of employment for Senior Executives are formalised in Service Agreements (contracts of employment). The material terms of the Service Agreements are set out below.

The Senior Executives of Caltex (other than Mr Walz who is a Chevron secondee) are appointed as permanent Caltex employees. Their employment contracts require both Caltex and the Senior Executive to give a notice period within a range between one and six months as stipulated by their individual contracts should they resign or have their service terminated by Caltex. The terms and conditions of the executives reflect market conditions at the time of their contract negotiation and appointment. Our intention going forward is to reset the termination notice for all newly appointed Senior Executives to at least three months.

The details of the contracts of the current Senior Executives of Caltex (other than Mr Walz) are set out below. The durations of the contracts are open ended (i.e. ongoing until notice is given by either party):

Table 2. Summary of Service Agreements for other Senior Executives

Senior Executives	Contract	Termination notice
Helen Conway ⁽ⁱ⁾	Open ended	3 months
Simon Hepworth	Open ended	3 months
Ken James	Open ended	6 months
Peter Lim	Open ended	6 months
Mike McMenamin	Open ended	1 month
Gary Smith	Open ended	6 months
Simon Willshire	Open ended	6 months

(i) Ms Conway retired effective 8 April 2011.

If a Senior Executive was to resign, their entitlement to unvested shares payable through the Caltex Equity Incentive Plan would generally be forfeited and, if resignation was on or before 31 December of the year, generally their payment from the Rewarding Results Plan would also be forfeited, subject to the discretion of the Board.

Remuneration Report (continued)

3. Executive Director and executive remuneration (continued)

3g. Senior Executive Service Agreements (continued)

Other than prescribed notice periods, there is no special termination benefit payable under the contracts of employment. Statutory benefits (such as long service leave) are paid in accordance with the legislative requirements at the time of the Senior Executive's termination.

In 2011, Mr Walz's secondment was extended for a further period of three years ending on 1 April 2014 and Caltex and Chevron may agree to vary the extended contract term by early termination or extension. The secondment arrangement may also be terminated by Caltex if Mr Walz:

- commits a wilful breach or wilfully neglects to perform or observe any of his statutory or contractual duties, or
- fails to perform or observe any of his statutory or contractual duties and does not correct or rectify the failure within seven days of being requested to do so.

On termination, Mr Walz has no rights against Caltex for payment of any amounts or claims.

3h. Hedging and margin lending policies

The Caltex Share Trading Policy prohibits the Managing Director & CEO and other Senior Executives from hedging an exposure to unvested or vested Caltex securities held through any of our executive incentive plans. The policy also requires directors and Senior Executives to give prior notice to the Company Secretary of any proposed margin loan arrangements. If a demand for payment is made under a margin loan arrangement, the director or Senior Executive must immediately advise the Company Secretary.

Caltex takes compliance with this policy seriously, and takes appropriate measures to ensure adherence to the policy. Each year, directors and Senior Executives are required to provide a certificate to the Company Secretary in which they confirm compliance with the policy. Any breach of this policy must be immediately advised to the Company Secretary, who, in turn, will report the breach to the Board. A breach of this policy may lead to disciplinary action, which may include termination of employment in serious cases.

3i. Link between company performance and executive remuneration

To demonstrate the link between company performance and executive remuneration, section 3 of this remuneration report discusses Caltex's remuneration philosophy and structure for executive directors and Senior Executives, including alignment of the reward system with shareholders' interests. In section 3, Caltex also explains the short term and long term business performance measures applied to executive directors and Senior Executives, including why the measures have been chosen and how they relate to the performance of the business. Section 3 also provides an explanation of RCOP NPAT and its relevance to the Caltex business, the Board's treatment of significant items and illustrates Caltex's performance against the measures used to determine short term incentive payments and vest long term incentive payments in 2011.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3i. Link between company performance and executive remuneration (continued)**

Table 3 below demonstrates Caltex TSR, dividend, share price, earnings per share and RCOP NPAT performance each year from 2007 to 2011:

Table 3. Summary of performance 2007 to 2011

	2011	2010	2009	2008	2007
12 month TSR % ⁽ⁱ⁾	(15.0)	61.0	32.8	(60.9)	(12.6)
Dividends (cents per share)	45c	60c	25c	36c	80c
Share price ⁽ⁱⁱ⁾	\$11.77	\$14.37	\$9.30	\$7.19	\$19.31
RCOP excluding significant items earnings per share	\$0.98	\$1.18	\$1.13	\$0.69	\$1.64
RCOP NPAT (million) ⁽ⁱⁱⁱ⁾	\$264	\$318	\$305	\$186	\$444
Caltex Safety – TTIFR ^(iv)	2.53	2.95	4.57	8.82	8.35
Caltex Safety – LTIFR ^(v)	0.99	1.23	2.12	2.97	3.79

Notes:

- (i) Total Shareholder Return (TSR) is calculated as the change in share price for the year, plus dividends announced for the year, divided by the opening share price. TSR is a measure of the return to shareholders in respect to each financial year (unaudited).
- (ii) The price quoted is the trading price for the last day of trading (31 December) in each calendar year.
- (iii) Measured using the Replacement Cost of Sales Operating Profit (RCOP) method which excludes the impact of the fall or rise in oil prices (a key external factor) and excludes significant items as determined by the Board.
- (iv) TTIFR – Total Treatable Injury Frequency Rate (unaudited).
- (v) LTIFR – Lost Time Injury Frequency Rate (unaudited).

The actual executive remuneration outcomes for 2011 are detailed in the appropriate tables which provide both unaudited non-statutory disclosures (a view of the remuneration either received “in cash” or in the form of equity granted in prior years which has vested in 2011 in table 4a) as well as the audited statutory disclosures (in table 4b).

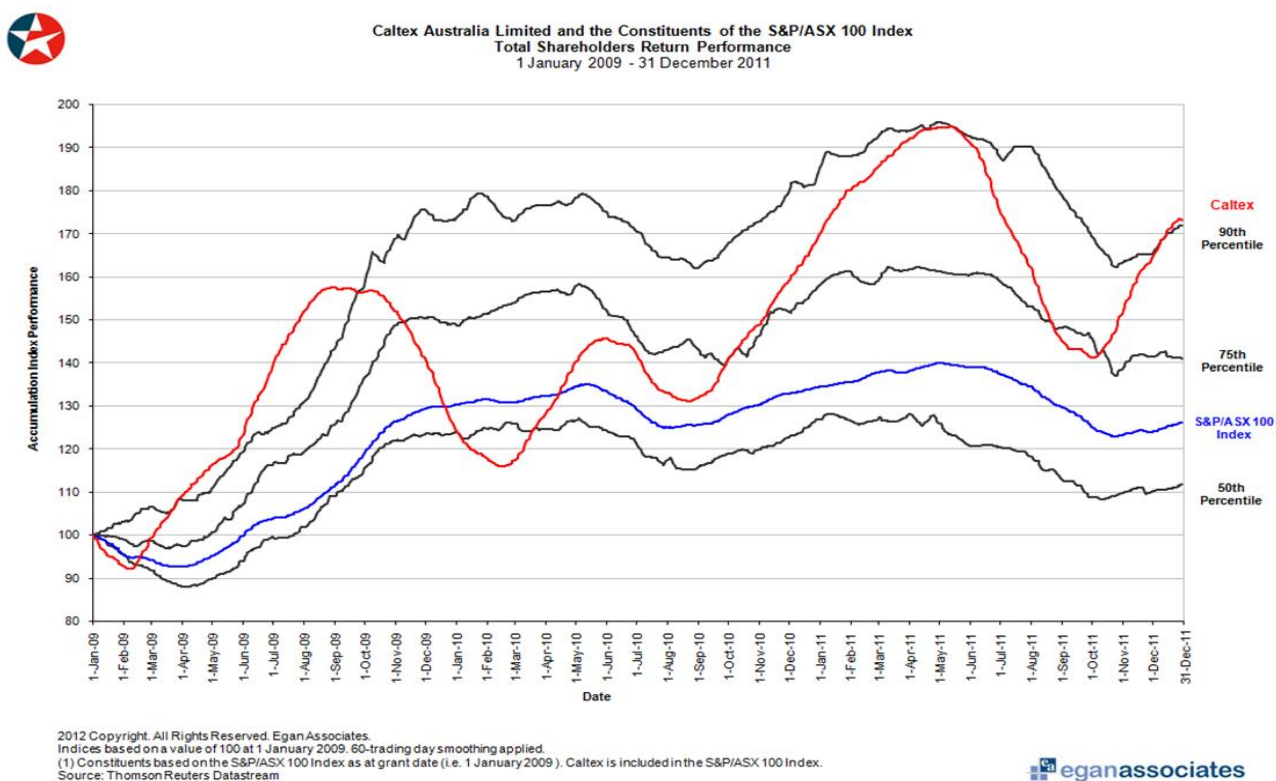
The charts on the following pages provide a comparison of the Caltex TSR performance to the domestic comparator group (companies in the ASX 100 Accumulation Index) and the change in the level of performance over three years to 31 December 2011 and a one year period to 31 December 2011.

Remuneration Report (continued)

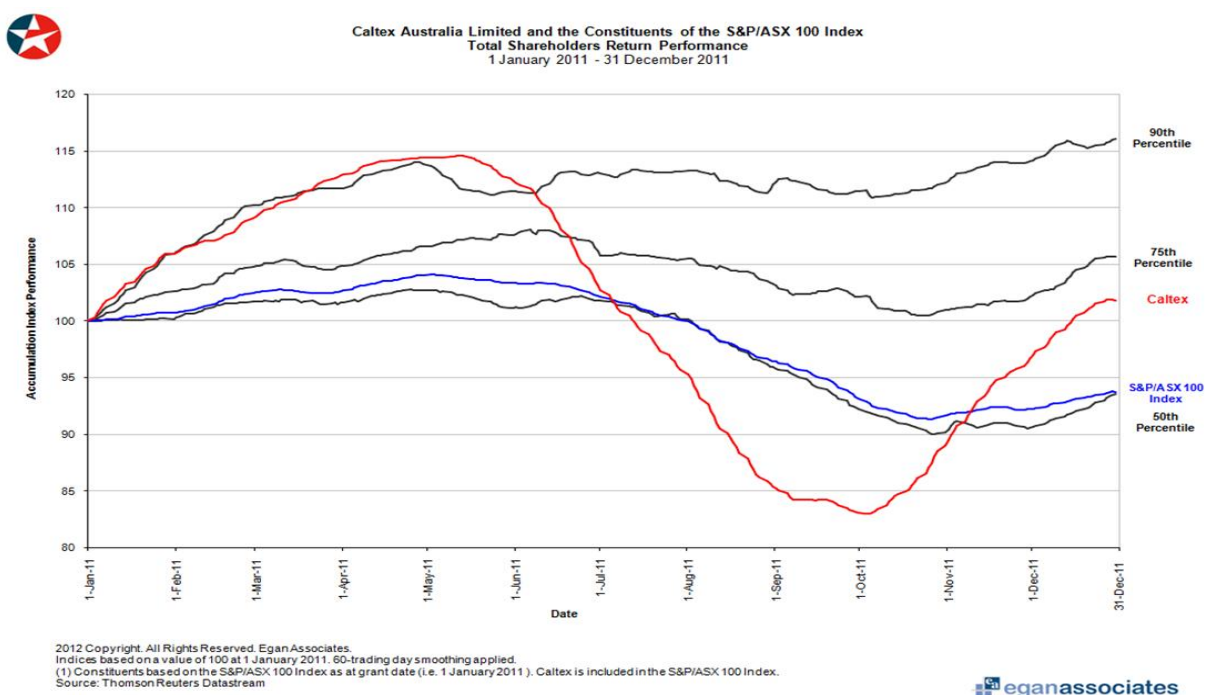
3. Executive Director and executive remuneration (continued)

3i. Link between company performance and executive remuneration (continued)

3 year TSR performance 1 January 2009 to 31 December 2011



1 year TSR performance 1 January 2011 to 31 December 2011



Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3j. Remuneration tables****Table 4a. Total remuneration for Executive Director and Senior Executives for 2011 (in dollars) - unaudited non-statutory disclosures**

The following table sets out the cash value the Managing Director & CEO and Senior Executives derived from the various components of their remuneration in 2011, from an individual perspective. The value of remuneration includes the equity grants where the executive received control of the shares in 2011.

The purpose of this table (4a) is to provide a summary of the "past" and "present" remuneration outcomes received in either cash or in the form of equity granted in prior years which has vested in 2011. As a result, the values in this table (4a) will not reconcile with those provided in the statutory disclosures in table 4b. For example table 4b discloses the value of grants in the CEIP which may or may not vest in future years, whereas this table (4a) discloses the value of grants from previous years which vested in 2011.

	Salary and fees ⁽ⁱ⁾	Fixed other remuneration ⁽ⁱⁱ⁾	Bonus (short term incentive) ⁽ⁱⁱⁱ⁾	Deferred STI vested in the year ^(iv)	LTI vested during the year ^(v)	Remuneration "earned" for 2011 ^(vi)
Executive Director						
Julian Segal (Managing Director & CEO)						
2011	1,877,670	94,969	718,818	463,253	-	3,154,710
Senior Executives						
Helen Conway (General Manager – Office of the CEO, Company Secretary and General Counsel) ^(vii)						
2011	150,870	156,515	-	110,043	433,036	850,464
Simon Hepworth (Chief Financial Officer)						
2011	616,871	134,598	262,557	153,936	104,835	1,272,797
Ken James (General Manager – Supply and Distribution)						
2011	484,300	163,745	186,257	130,171	37,182	1,001,655
Peter Lim (Company Secretary and Acting General Counsel) ^(viii)						
2011	247,639	46,113	112,626	42,318	-	448,696
Mike McMenamin (General Manager – Strategy, Planning and Development)						
2011	447,625	83,393	136,685	102,467	59,686	829,856
Gary Smith (General Manager - Refining)						
2011	737,350	87,464	194,305	185,606	-	1,204,725
Andy Walz (General Manager – Marketing)						
2011	613,931	1,347,430	200,099	-	-	2,161,460
Simon Willshire (General Manager – Human Resources)						
2011	484,185	54,802	138,672	105,933	88,135	871,727

Notes:

- (i) Salary and fees comprises base pay and cash in lieu of superannuation contributions where superannuation contributions are in excess of the maximum earnings base.
- (ii) Fixed other remuneration includes cash value of non-monetary benefits, superannuation, annual leave and long service leave entitlements and tax equalisation on expatriate schemes. It also includes any fringe benefit tax payable on non-monetary benefits.
- (iii) The cash component (66.6%) of the STI to be received for the 2011 year, but to be paid in April 2012. 33.3% of the STI has been deferred and restricted for two years.
- (iv) The deferred unrestricted component of any prior year STI.
- (v) Equity based programs from prior years that have vested in 2011. The value is calculated using the closing share price of Caltex shares on the vesting date.
- (vi) Total value of remuneration received during 2011. This is the total of the previous columns and includes 2011 STI payable in April 2012.
- (vii) Ms Conway retired effective 8 April 2011.
- (viii) Mr Lim was appointed into the role of Company Secretary and General Counsel effective 1 January 2012 after undertaking the role in an acting capacity from 28 March 2011 and the amounts shown for 2011 are pro-rated to reflect this.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3j. Remuneration tables (continued)****Table 4b. Total remuneration for Senior Executives for 2011 (in dollars) - statutory disclosures**

The following table sets out the audited total remuneration for Senior Executives in 2011 and 2010 calculated in accordance with statutory accounting requirements:

Primary			Post employ- ment	Other long term	Equity		Total	
Salary and fees ⁽ⁱ⁾	Bonus (short term incentive) ⁽ⁱⁱ⁾	Non- monetary benefits ⁽ⁱⁱⁱ⁾	Superannuation	Other ^(iv)	Share benefits (long term incentive)	Rights benefits (long term incentive) ^(v)		
Helen Conway (General Manager – Office of the CEO, Company Secretary and General Counsel) ^(vi)								
2011	108,525	-	5,374	7,600	3,025	54,715	(15,356)	163,883
2010	476,258	238,349	11,766	39,887	15,490	71,418	163,470	1,016,638
Simon Hepworth (Chief Financial Officer)								
2011	607,371	262,557	17,379	87,461	39,258	148,146	277,781	1,439,953
2010	571,721	333,506	14,958	81,890	21,276	96,157	210,794	1,330,302
Ken James (General Manager – Supply and Distribution)								
2011	491,842	186,257	31,416	92,843	31,944	115,520	210,639	1,160,461
2010	423,999	282,758	43,501	89,709	104,178	81,675	132,811	1,158,631
Peter Lim (Company Secretary and Acting General Counsel) ^(vii)								
2011	258,323	112,626	10,289	19,694	5,446	51,757	64,613	522,748
2010	-	-	-	-	-	-	-	-
Mike McMenamin (General Manager – Strategy, Planning and Development)								
2011	437,765	136,685	18,198	60,493	14,562	88,226	196,385	952,314
2010	424,654	222,384	14,591	47,295	20,740	65,822	137,735	933,221
Gary Smith (General Manager - Refining)								
2011	742,922	194,305	15,504	54,075	12,313	145,278	259,480	1,423,877
2010	698,849	403,139	13,853	67,617	9,656	113,279	138,822	1,445,215
Andy Walz (General Manager – Marketing)								
2011	613,931	200,099	1,021,265	44,692	281,473	-	-	2,161,460
2010	624,008	121,202	645,301	56,308	192,174	-	-	1,638,993
Simon Willshire (General Manager – Human Resources)								
2011	483,824	138,672	15,631	15,487	24,045	90,491	198,049	966,199
2010	433,623	229,028	12,474	37,007	12,063	68,799	151,188	944,182
Total remuneration: Senior Executives								
2011	3,744,503	1,231,201	1,135,056	382,345	412,066	694,133	1,191,591	8,790,895
2010	3,653,112	1,830,366	756,444	419,713	375,577	497,150	934,820	8,467,182

Notes:

- (i) Salary and fees include base pay, annual leave and cash payments in lieu of employer superannuation. An executive may elect to receive an equivalent cash payment in lieu of employer superannuation that is in excess of the quarterly Superannuation Guarantee Maximum.
- (ii) The cash component (66.6%) of the STI to be received for the 2011 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2011 deferred STI is reflected in the Equity – Share benefits (long term incentive).
- (iii) Non-monetary benefits include expatriate benefits to Chevron secondees under their Chevron employment contracts.
- (iv) Other long-term remuneration represents the Chevron Long Term Incentive Plan for Mr Walz and long service leave for all other executives.
- (v) These values have been calculated under Accounting Standards and as such the values may not represent the future value that may (or may not) be received by the Executive as the vesting of the rights is subject to Caltex achieving performance conditions.
- (vi) Ms Conway retired effective 8 April 2011.
- (vii) Mr Lim was appointed into the role of Company Secretary and General Counsel effective 1 January 2012 after undertaking the role in an acting capacity from 28 March 2011 and the amounts shown for 2011 are pro-rated to reflect this.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3j. Remuneration tables (continued)****Table 5. Unvested shareholdings of Executive Director and Senior Executives during 2011**

Executive Director and Senior Executives ⁽ⁱ⁾	Unvested shares from prior performance years	Restricted shares granted ⁽ⁱⁱ⁾	Shares vested from prior performance years	Forfeited	Unvested shares at 31 Dec 2011 from the 2009 and 2011 performance years ⁽ⁱⁱⁱ⁾
Julian Segal	109,261	30,536	35,282	-	104,515
Helen Conway	9,844	-	9,844	-	-
Simon Hepworth	12,528	11,154	12,528	-	11,154
Ken James	10,650	7,912	10,650	-	7,912
Peter Lim	3,223	4,784	3,223	-	4,784
Mike McMenamin	8,902	5,807	8,902	-	5,807
Gary Smith	14,136	8,254	14,136	-	8,254
Simon Willshire	9,531	5,891	9,531	-	5,891

Notes:

- (i) Mr Walz is not eligible to participate for any of the grant periods under the terms of his secondment arrangement with Chevron.
- (ii) Restricted shares granted represents the 2011 STI deferred into equity (33.3%). The shares will be bought in 2012 and so this disclosure represents the estimated number of shares to be acquired at that time.
- (iii) If the executive meets the service conditions, the amounts will vest in 2012.

From 2006 until 2008, 50% of the STI payment for Senior Executives was awarded as restricted shares allocated under the Caltex Equity Incentive Plan. The Managing Director & CEO received a joining incentive in 2009 and also had 50% of his 2009 STI paid as Caltex shares (50% of which were restricted). Table 6 shows the percentage of the shares vested, the years until the grant vests and the future cost to Caltex. The cost to Caltex of the shares is recorded in line with the service received from the Senior Executive; however, the shares typically vest to the Senior Executive in subsequent years.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3j. Remuneration tables (continued)****Table 6. Restricted share grants to Executive Director and Senior Executives in 2011**

The following table is for accounting value purposes and provides an estimate of the future cost to Caltex of unvested shares based on the progressive vesting of the restricted shares. Of the 2011 Deferred STI, no shares have vested and the estimated future cost has been provided.

Executive Director and Senior Executives⁽ⁱ⁾	CEIP year	Deferred STI year	Vested (% of shares vested)	Future years when shares will vest	Future cost to Caltex of unvested shares (\$)
Julian Segal	2009 ⁽ⁱⁱ⁾		0%	2012	125,000
		2011	0%	2012	163,368
	Total				288,368
Simon Hepworth		2011	0%	2012	59,672
	Total				59,672
Ken James		2011	0%	2012	42,331
	Total				42,331
Peter Lim		2011	0%	2012	25,597
	Total				25,597
Mike McMenamin		2011	0%	2012	31,065
	Total				31,065
Gary Smith		2011	0%	2012	44,160
	Total				44,160
Simon Willshire		2011	0%	2012	31,516
	Total				31,516

Notes:

- (i) Mr Walz is not eligible to participate for any of the grant periods under the secondment arrangement with Chevron.
(ii) This relates to Mr Segal's 2009 joining incentive.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3j. Remuneration tables (continued)****Table 7. 2011 Executive Director and Senior Executive performance rights**

Since 2007, long term incentives for Senior Executives have been awarded as performance rights under the CEIP as explained in section 3e. Table 7 sets out details of movements in performance rights held by Senior Executives during the year, including details of the performance rights that vested.

Senior Executives ⁽ⁱ⁾	Performance rights at 1 Jan 2011 ⁽ⁱⁱ⁾	Granted in 2011 ⁽ⁱⁱⁱ⁾	Vested in 2011	Lapsed in 2011 ^(iv)	Balance at 31 Dec 2011
Julian Segal	332,746	193,664	-	-	526,410
Helen Conway	87,278	-	(28,478)	(58,800)	-
Simon Hepworth	112,718	40,880	(5,935)	(5,935)	141,728
Ken James	72,694	32,672	(1,660)	(1,660)	102,046
Peter Lim	18,698	11,246	-	-	29,944
Mike McMenamin	75,364	28,458	(2,740)	(2,740)	98,342
Gary Smith	75,658	44,024	-	-	119,682
Simon Willshire	80,882	27,924	(4,205)	(4,205)	100,396

Notes:

- (i) Mr Walz is not eligible to participate for any of the grant periods under the terms of his secondment arrangement with Chevron.
- (ii) For 2009 and 2010 performance rights, if all future performance conditions are met these performance rights will be payable in 2012 and 2013.
- (iii) If all future performance conditions are met these performance rights will be payable in 2014.
- (iv) Relates to 2008 performance rights of which 50% lapsed in the year and 50% vested. Performance rights related to Ms Conway relate to 2008, 2009 and 2010.

Remuneration Report (continued)**3. Executive Director and executive remuneration (continued)****3j. Remuneration tables (continued)****Table 8. Valuation assumptions of performance rights granted**

The fair value of performance rights granted under the CEIP is determined independently by Ernst & Young using an appropriate numerical pricing model. The model takes into account a range of assumptions and the fair values for each year of grant have been calculated incorporating the assumptions below.

	2011 grant		2010 grant		2009 grant	
Comparator group	ASX 100 Accumulation Index	International refining and marketing companies	ASX 100 Accumulation Index	International refining and marketing companies	ASX 100 Accumulation Index	International refining and marketing companies
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	35%	35%	35%	35%	40%	40%
Risk free interest rate	5.0%	5.0%	5.24%	5.24%	3.28%	3.28%
Dividend yield	4.0%	4.0%	4.0%	4.0%	6.0%	6.0%
Expected life (years)	2.9	2.9	2.9	2.9	3.0	3.0
Share price at grant date	\$14.19	\$14.19	\$11.87	\$11.87	\$7.19	\$7.19
Valuation per right	\$6.61	\$4.91	\$7.89	\$7.75	\$4.03	\$4.17

Table 9. Distribution of 2011 fixed and variable remuneration elements of remuneration

The proportion of each Senior Executive's remuneration for 2011 that was fixed, and the proportion that was subject to a performance condition, is shown in the following table. The percentages are based on the statutory remuneration received which includes valuations of non-cash components and equity payments as calculated under Australian Accounting Standards and as such do not correspond to the target remuneration percentages disclosed earlier in this report in section 3b. The target remuneration percentages are calculated on base salary plus incentives, whereas the fixed remuneration below includes value of non-cash components such as accruals for annual leave and long service leave where applicable. The long term incentive values in the statutory tables include the value of grants made in prior years, whereas the target remuneration is reflected in the value of the grant to be made in the current year.

Executive Director and Senior Executives	Fixed	Variable (including short and long term incentive payments)
Julian Segal	43%	57%
Simon Hepworth	52%	48%
Ken James	56%	44%
Peter Lim	56%	44%
Mike McMenamin	56%	44%
Gary Smith	58%	42%
Andy Walz	78%	22%
Simon Willshire	56%	44%

Remuneration Report (continued)

4. Non-executive director remuneration

4a. Our approach to non-executive director remuneration

At Caltex, our business and corporate operations are managed under the direction of the Board on behalf of shareholders. The Board oversees the performance of Caltex management in seeking to deliver superior business and operational performance and long term growth in shareholder value. The Board recognises that providing strong leadership and strategic guidance to management is important to achieve our goals and objectives.

Under the Caltex Constitution and the ASX Listing Rules, the total remuneration pool for non-executive directors is determined by shareholders. Within this overall pool amount, remuneration for non-executive directors is reviewed by the Committee, taking into account recommendations from an external expert, and set by the Board.

Fees for non-executive directors are set at a level to attract and retain directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for Caltex's business. The Board seeks to attract directors with different skills, experience and abilities to enable it to effectively oversee and challenge the performance of management. Additionally, when setting fee rates, the Board takes into account factors such as external market data on fees and the size and complexity of Caltex's operations.

The remuneration of non-executive directors is fixed. The non-executive directors do not participate in any Caltex incentive or bonus schemes. Caltex does not have a retirement scheme for non-executive directors.

4b. Board and committee fee rates for 2011

Shareholders approved a maximum annual Board remuneration pool of \$2,000,000, including statutory entitlements, at the Annual General Meeting on 22 April 2010, with effect from 1 May 2010.

Table 10. 2011 and 2012 non-executive directors' fees

In 2011, the Committee engaged the Godfrey Remuneration Group ("Godfrey") to carry out a review of non-executive director fees. In its report, Godfrey outlined the results of benchmarking Caltex's remuneration practices for non-executive directors to a comparator group of companies listed on the ASX. The report was considered by the Committee and by the Board in December 2011. In considering fee rates for 2012, the Committee and the Board took into account the prevailing market rates paid to similar companies and increases were made to maintain comparability with the fees paid by similar organisations and in accordance with independent advice. The increases ranged from 1% for the Chairman to 4% for the members and chairman of the OHS & Environmental Risk Committee.

The following table shows the fee rates for 2011 and 2012.

Role	2012 (effective 1 January 2012)	2011
Board		
Chairman	\$465,000 (inclusive of all committee fees)	\$460,000 (inclusive of all committee fees)
Director	\$155,000	\$150,000
Board Committee Chairman		
Audit Committee	\$36,000	\$35,000
Human Resources Committee	\$31,000	\$30,000
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$26,000	\$25,000
Board Committee Member		
Audit Committee	\$18,000	\$17,500
Human Resources Committee	\$15,500	\$15,000
Nomination Committee	Nil	Nil
OHS & Environmental Risk Committee	\$13,000	\$12,500

Superannuation is paid in addition to these fee rates. Caltex pays superannuation at 9% for non-executive directors. Superannuation is not paid for overseas directors. An alternate director does not receive Board or Board committee fees.

Remuneration Report (continued)**4. Non-executive director remuneration (continued)****4c. Remuneration table****Table 11. Total remuneration for directors for 2011 (in dollars) - statutory disclosures**

The following table sets out the audited total remuneration for directors in 2011 and 2010 calculated in accordance with statutory accounting requirements.

	Primary			Post employment	Other long term	Equity		
	Salary and fees	Bonus (short term incentive) ⁽ⁱ⁾	Non-monetary benefits	Superannuation (ii)(iii)	Other	Share benefits (long term incentive)	Rights benefits (long term incentive)	Total
Executive Director								
Julian Segal (Managing Director & CEO)								
2011	1,867,266	718,818	16,303	50,000	39,070	727,522	1,141,259	4,560,238
2010	1,812,864	1,007,990	14,280	40,833	26,096	583,237	610,542	4,095,842
<i>Total: Executive Director</i>								
2011	1,867,266	718,818	16,303	50,000	39,070	727,522	1,141,259	4,560,238
2010	1,812,864	1,007,990	14,280	40,833	26,096	583,237	610,542	4,095,842
Non-executive directors								
Elizabeth Bryan (Chairman)								
2011	486,201	-	432	15,199	-	-	-	501,832
2010	418,133	-	297	15,142	-	-	-	433,572
Trevor Bourne								
2011	192,500	-	883	17,325	-	-	-	210,708
2010	186,500	-	607	16,785	-	-	-	203,892
Brant Fish								
2011	165,000	-	-	-	-	-	-	165,000
2010	159,000	-	-	-	-	-	-	159,000
Greig Gailey								
2011	185,160	-	572	43,740	-	-	-	229,472
2010	182,760	-	596	39,600	-	-	-	222,956
Colleen Jones-Cervantes ^(iv)								
2011	-	-	-	-	-	-	-	-
2010	104,190	-	-	-	-	-	-	104,190
Tim Leveille								
2011	150,000	-	-	-	-	-	-	150,000
2010	12,230	-	-	-	-	-	-	12,230
Robert Otteson ^(v)								
2011	-	-	-	-	-	-	-	-
2010	131,770	-	-	-	-	-	-	131,770
Walter Szopiak								
2011	162,500	-	-	-	-	-	-	162,500
2010	52,310	-	-	-	-	-	-	52,310
John Thorn								
2011	202,801	-	1,464	15,199	-	-	-	219,464
2010	196,696	-	1,187	14,764	-	-	-	212,647
<i>Total: Non-executive directors</i>								
2011	1,544,162	-	3,351	91,463	-	-	-	1,638,976
2010	1,443,589	-	2,687	86,291	-	-	-	1,532,567
<i>Total remuneration: Directors</i>								
2011	3,411,428	718,818	19,654	141,463	39,070	727,522	1,141,259	6,199,214
2010	3,256,453	1,007,990	16,967	127,124	26,096	583,237	610,542	5,628,409

Remuneration Report (continued)

4. Non-executive director remuneration (continued)

4c. Remuneration table (continued)

Table 11. Total remuneration for directors for 2011 (in dollars) - statutory disclosures (continued)

Notes:

- (i) The cash component (66.6%) of the STI to be received for the 2011 year. 33.3% of the STI has been deferred and restricted for two years. The value of the 2011 deferred STI is reflected in the Equity – Share benefits (long term incentive).
 - (ii) Superannuation contributions are made on behalf of non-executive directors to satisfy Caltex's obligations under Superannuation Guarantee legislation.
 - (iii) Fees paid to Australian based non-executive directors may be subject to fee sacrifice arrangements for superannuation. Also, directors may direct Caltex to pay superannuation contributions referable to fees in excess of the maximum earnings base as cash.
 - (iv) Ms Jones-Cervantes' 2010 remuneration relates to her service as a former director of Caltex until her resignation on 31 August 2010. Ms Jones-Cervantes was appointed as an alternate director from 1 September 2010. Caltex does not pay any remuneration to alternate directors.
 - (v) Mr Robert Otteson's 2010 remuneration relates to his service as a former director of Caltex until his resignation on 30 November 2010.
-

Directors' interests

The directors of Caltex Australia Limited held the following relevant interests in the company's shares at 31 December 2011:

DIRECTOR	SHAREHOLDING	NATURE OF INTEREST
Ms Elizabeth Bryan	14,946	Direct interest
Mr Julian Segal	140,598	Direct interest in 15,668 shares; indirect interest in 124,930 shares. Mr Segal also has a direct interest in 526,410 performance rights
Mr Trevor Bourne	5,395	Direct interest in 2,395 shares; indirect interest in 3,000 shares
Mr Brant Fish	-	
Mr Greig Gailey	5,000	Indirect interest
Mr Tim Leveille	-	
Mr Walt Szopiak	-	
Mr John Thorn	1,510	Indirect interest
Notes:		
(a)	The directors have not acquired or disposed of any relevant interests in the company's shares in the period from 1 January 2012 to the date of this report.	
(b)	Ms Colleen Jones-Cervantes (alternate director) did not have a relevant interest in the company's shares at 31 December 2011 or at the date of this report.	

Board and committee meetings

The Board of Caltex Australia Limited met 11 times during the year ended 31 December 2011. In addition, a Board strategy session was held during the year.

In 2011, the Board operated the following standing committees:

- Audit Committee, which met four times,
- Human Resources Committee, which met six times,
- Nomination Committee, which met twice, and
- OHS & Environmental Risk Committee, which met five times.

Special purpose committees were convened on five occasions in 2011.

Board and committee meetings (continued)

The number of Board and committee meetings attended by each director during the year is set out in the following table:

DIRECTOR	BOARD	AUDIT COMMITTEE	HUMAN RESOURCES COMMITTEE	NOMINATION COMMITTEE	OHS & ENVIRONMENTAL RISK COMMITTEE	OTHER
Current directors						
Ms Elizabeth Bryan	11 (11)	4	6	2 (2)	5	3 (3)
Mr Julian Segal	11 (11)	4	6	2	5	3 (3)
Mr Trevor Bourne	11 (11)	4 (4)		2 (2)	5 (5)	4 (4)
Mr Brant Fish	8 (9)		5 (6)	2 (2)	1	1 (1)
Mr Greig Gailey	11 (11)	4 (4)	6 (6)	2 (2)	5 (5)	1 (1)
Mr Tim Leveille	8 (9)	4		1 (2)		4 (4)
Mr Walt Szopiak	8 (9)			2 (2)	5 (5)	1 (1)
Mr John Thorn	11 (11)	4 (4)	6 (6)	2 (2)		5 (5)
Alternate director						
Ms Colleen Jones-Cervantes	1 (1)					

Notes:

- (a) The table shows the number of Board and committee meetings attended by each director during the year ended 31 December 2011, with the number of meetings held during the director's time in office, and which the director was eligible to attend, shown in brackets. The reference to "other" includes the Board's strategy session (which was attended by all current directors) and special purpose committee meetings that were convened during the year.
- (b) The Chairman, Ms Bryan, attended meetings of the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee in an ex-officio capacity on a standing basis in 2011.
- (c) The Managing Director & CEO, Mr Segal, attended meetings of the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee as a member of management in 2011. Mr Segal also attended meetings of the Nomination Committee by invitation.
- (d) Mr Leveille attended four Audit Committee meetings and Mr Fish attended one OHS & Environmental Risk Committee meeting (as a visitor in each case).
- (e) Mr Fish and Mr Leveille were each unable to attend one Board meeting in 2011, which had been convened as a special meeting (in addition to the Board's scheduled meetings). In addition, Mr Fish was unable to attend one Human Resources Committee meeting and Mr Leveille was unable to attend one Nomination Committee meeting. Mr Szopiak was unable to attend one Board meeting and Ms Jones-Cervantes attended this meeting as alternate director.

Shares and interests

The total number of ordinary shares on issue at the date of this report and during 2011 is 270 million shares (2010: 270 million shares). The total number of performance rights on issue at the date of this report is 2,180,178 (2010: 1,639,678). 766,608 performance rights were issued during 2011 (2010: 1,326,714). 226,108 performance rights were distributed or lapsed during the year (2010: 78,466). On vesting, Caltex is required to allocate one ordinary share for each performance right. For each right that vests, Caltex will purchase a share on market following vesting.

Non-audit services

KPMG is the external auditor of Caltex Australia Limited and the Caltex Australia Group.

In 2011, KPMG performed non-audit services for the Caltex Australia Group in addition to its statutory audit and review engagements for the full year and half year.

KPMG received or was due to receive the following amounts for services performed for the Caltex Australia Group during the year ended 31 December 2011:

- for non-audit services – total fees of \$147,500 (2010: \$160,000); these services included transaction services (\$56,500), taxation services (\$23,500) and other assurance services (\$67,500), and
- for audit services – total fees of \$767,000 (2010: \$811,000).

The Board has received a written advice from Mr John Thorn (Audit Committee Chairman) for and on behalf of the Audit Committee in relation to the independence of KPMG, as external auditor, for 2011. The advice was made in accordance with a resolution of the Audit Committee.

The directors are satisfied that:

- the provision of non-audit services to the Caltex Australia Group during the year ended 31 December 2011 by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act*, and
- the provision of non-audit services during the year ended 31 December 2011 by KPMG did not compromise the auditor independence requirements of the *Corporations Act* for the following reasons:
 - the provision of non-audit services in 2011 was consistent with the Board's policy on the provision of services by the external auditor,
 - the non-audit services provided in 2011 are not considered to be in conflict with the role of external auditor, and
 - the directors are not aware of any matter relating to the provision of the non-audit services in 2011 that would impair the impartial and objective judgement of KPMG as external auditor.

Company secretaries

Mr Peter Lim

Mr Peter Lim is Caltex's Company Secretary and General Counsel. In this role, he serves as Company Secretary to the Board, as Committee Secretary for the Nomination Committee, and as a company secretary for various companies in the Caltex Australia Group.

Mr Lim was appointed as Company Secretary of Caltex Australia Limited with effect from 21 April 2011 and was appointed as Company Secretary and General Counsel on 1 January 2012. Mr Lim joined Caltex in 2006 after spending a number of years as a lawyer in private practice, and was appointed to the role of Assistant General Counsel in 2009.

Mr Lim holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales.

Ms Katie King

Ms Katie King, Assistant Company Secretary, serves as a company secretary of Caltex Australia Limited. She also serves as Committee Secretary for the Audit Committee, the Human Resources Committee and the OHS & Environmental Risk Committee, and as a company secretary for various companies in the Caltex Australia Group.

Ms King was appointed as a company secretary of Caltex Australia Limited with effect from 27 October 2011.

Ms King holds a Bachelor of Commerce from the University of New South Wales and a Graduate Diploma of Applied Corporate Governance. She is also a member of the Institute of Chartered Accountants in Australia.

Indemnity and insurance

Constitution

The Constitution of Caltex Australia Limited provides that, to the extent permitted by law and subject to the restrictions in sections 199A and 199B of the *Corporations Act*, Caltex Australia Limited indemnifies every person who is or has been a director or secretary of the company or of a subsidiary at the request of the Board of Caltex Australia Limited. The indemnities cover against:

- any liability (other than a liability for legal costs) incurred by that person as a director or secretary of Caltex Australia Limited or a subsidiary, and
- reasonable legal costs incurred in defending an action for a liability or alleged liability incurred by that person as a director or secretary of Caltex Australia Limited or a subsidiary.

Deeds of indemnity and insurance

During the year ended 31 December 2011, Caltex Australia Limited entered into deeds of access, insurance and indemnity with Mr Peter Lim and Ms Katie King (company secretaries). Deeds of access, insurance and indemnity have previously been entered into by Caltex Australia Limited with current directors and with former directors and secretaries.

Under the deeds, Caltex Australia Limited has agreed, in broad terms, to indemnify its directors and company secretaries (to the extent permitted by law and subject to the prohibitions in section 199A of the *Corporations Act* and the terms of the deed) against any and all:

- liabilities incurred as an officer of Caltex Australia Limited or a group company (but not including liabilities for legal costs covered by the legal costs indemnity), and
- legal costs reasonably incurred in defending an action for a liability incurred or allegedly incurred as an officer of Caltex Australia Limited or a group company and preparing for, attending or appearing in administrative proceedings or an investigation or inquiry by any regulatory authority or external administrator in respect of or arising out of or connected with any act.

Under the deeds entered into with directors and company secretaries, Caltex Australia Limited (either itself or through a group company) is required to maintain and pay the premium on an insurance policy covering each director and company secretary (to the extent permitted by law and subject to the prohibitions in sections 199B and 199C of the *Corporations Act*). In each case, the obligation continues for a period of seven years after the director or secretary (as the case may be) ceases to be an officer or, if a proceeding or an inquiry has commenced or arises within this seven year period and this has been notified to the company, a further period up to the outcome of the proceedings or inquiry or when the company is satisfied that the proceedings or inquiry will not proceed.

Contract of insurance

Caltex Australia Limited has paid a premium in respect of a contract insuring the directors and officers of Caltex Australia Limited against liabilities.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance, as such disclosure is prohibited under the terms of the contract.

Rounding of amounts

Caltex Australia Limited is an entity to which Class Order 98/100 (as issued by the Australian Securities and Investments Commission (ASIC)) applies. Amounts in the 2011 Directors' Report and the 2011 Financial Report have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with this class order.

The Directors' Report is made in accordance with a resolution of the Board of Caltex Australia Limited.



EB Bryan
Chairman



J Segal
Managing Director & CEO

Sydney, 27 February 2012

Lead Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

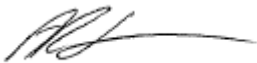
To: the directors of Caltex Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Anthony Jones
Partner

Sydney, 27 February 2012

Directors' Declaration

The Board of Caltex Australia Limited has declared that:

- (a) the directors have received the declarations required by section 295A of the *Corporations Act* from the Managing Director & CEO and the Chief Financial Officer for the year ended 31 December 2011,
- (b) in the directors' opinion, the financial statements and notes for the year ended 31 December 2011, and the Remuneration Report, are in accordance with the *Corporations Act*, including:
 - (i) section 296 (compliance with Accounting Standards), and
 - (ii) section 297 (true and fair view),
- (c) in the directors' opinion, there are reasonable grounds to believe that Caltex Australia Limited will be able to pay its debts as and when they become due and payable,
- (d) a statement of compliance with International Financial Reporting Standards has been included in note 1(a) to the financial statements, and
- (e) at the date of this declaration, there are reasonable grounds to believe that the companies in the Caltex Australia Group that are parties to the Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited (including companies added by Assumption Deed), as identified in note 22 of the 2011 Financial Report, will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

The Directors' Declaration is made in accordance with a resolution of the Board of Caltex Australia Limited.

EB Bryan
Chairman

J Segal
Managing Director & CEO

Sydney, 27 February 2012

Independent auditor's report to the members of Caltex Australia Limited

Report on the financial report

We have audited the accompanying financial report of Caltex Australia Limited (the company), which comprises the consolidated balance sheet as at 31 December 2011, and consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Independent auditor's report to the members of Caltex Australia Limited (continued)

Report on the remuneration report

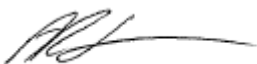
We have audited the Remuneration Report included in pages 15 to 37 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration disclosures that are contained in the sections of the Directors' Remuneration Report of the Group for the year ended 31 December 2011, with the exception of sections of table 3 on page 27 and all of table 4a on page 29, complies with Section 300A of the *Corporations Act 2001*.

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font.

KPMG

A handwritten signature, likely of Anthony Jones, in dark ink.

Anthony Jones
Partner

Sydney, 27 February 2012

Consolidated income statement

for the year ended 31 December 2011

Thousands of dollars	Note	2011	2010
Revenue from sale of goods		22,105,204	18,671,905
Replacement cost of goods sold (excluding product duties and taxes and inventory gains)		(16,054,534)	(12,730,314)
Product duties and taxes		(5,046,904)	(4,891,397)
Inventory gains		197,449	21,242
Cost of goods sold - historical cost		(20,903,989)	(17,600,469)
Gross profit		1,201,215	1,071,436
Other income	2	296,517	261,174
Refining and Supply expenses		(194,971)	(162,993)
Marketing expenses		(621,334)	(588,284)
Net foreign exchange (losses)/gains		(10,004)	27,304
Impairment of non-current assets	3	(1,552,780)	-
Finance costs	3	(69,240)	(59,181)
Other expenses		(72,788)	(110,674)
Share of net profit of entities accounted for using the equity method	23(d)	1,618	3,513
(Loss)/profit before income tax benefit/(expense)		(1,021,767)	442,295
Income tax benefit/(expense)	4	308,546	(124,317)
Net (loss)/profit		(713,221)	317,978
Attributable to:			
Equity holders of the parent entity		(713,514)	316,952
Non-controlling interest		293	1,026
Net (loss)/profit		(713,221)	317,978
Basic and diluted (loss)/earnings per share:			
Historical cost – cents per share	6	(264.3)	117.4

The consolidated income statement for the year ended 31 December 2011 includes significant expenses of \$1,593,704,000 (2010: \$23,011,000). Details of these items are disclosed in note 3.

The consolidated income statement is to be read in conjunction with the notes to the financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2011

Thousands of dollars	Note	2011	2010
(Loss)/profit for the period		(713,221)	317,978
Other comprehensive expense			
Actuarial loss on defined benefit plans	18(b)	(31,128)	(21,011)
Cash flow hedge fair value losses		(6,820)	(2,377)
Income tax on other comprehensive income	4(c)	10,935	7,016
Other comprehensive expense for the period, net of income tax		(27,013)	(16,372)
Total comprehensive (expense)/income for the period		(740,234)	301,606
Attributable to:			
Equity holders of the parent entity		(740,527)	300,580
Non-controlling interest		293	1,026
Total comprehensive (expense)/income for the period		(740,234)	301,606

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated balance sheet

as at 31 December 2011

Thousands of dollars	Note	2011	2010
Current assets			
Cash and cash equivalents		1,818	18,377
Receivables	7	1,001,490	839,677
Inventories	8	1,717,732	1,385,310
Other	9	35,862	30,107
Total current assets		2,756,902	2,273,471
Non-current assets			
Receivables	7	1,566	554
Investments accounted for using the equity method	23	23,573	23,351
Other investments	10	3	15
Intangibles	11	95,008	79,863
Property, plant and equipment	12	1,535,448	2,895,522
Deferred tax assets	4	446,758	13,138
Other	9	1,801	4,771
Total non-current assets		2,104,157	3,017,214
Total assets		4,861,059	5,290,685
Current liabilities			
Payables	13	1,674,017	1,229,813
Interest bearing liabilities	14	153,979	132,469
Current tax liabilities		13,798	79,522
Provisions	15	139,969	177,245
Total current liabilities		1,981,763	1,619,049
Non-current liabilities			
Payables	13	6,726	5,130
Interest bearing liabilities	14	464,685	430,089
Provisions	15	189,810	153,821
Total non-current liabilities		661,221	589,040
Total liabilities		2,642,984	2,208,089
Net assets		2,218,075	3,082,596
Equity			
Issued capital	16	543,415	543,415
Treasury stock		(430)	(753)
Reserves		(8,337)	(5,852)
Retained earnings		1,671,357	2,534,009
Total parent entity interest		2,206,005	3,070,819
Non-controlling interest		12,070	11,777
Total equity		2,218,075	3,082,596

The consolidated balance sheet is to be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2011

Thousands of dollars

	Issued capital	Treasury stock	Hedging reserve	Equity compensation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2010	543,415	(1,756)	(10,004)	2,592	2,380,264	2,914,511	10,751	2,925,262
Total comprehensive income for the year								
Total recognised income for the year	-	-	-	-	302,245	302,245	1,026	303,271
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(1,665)	-	-	(1,665)	-	(1,665)
Total comprehensive income for the year	-	-	(1,665)	-	302,245	300,580	1,026	301,606
Own shares acquired	-	(646)	-	-	-	(646)	-	(646)
Shares vested to employees	-	1,649	-	(1,649)	-	-	-	-
Expense on equity settled transactions	-	-	-	4,874	-	4,874	-	4,874
Dividends to shareholders	-	-	-	-	(148,500)	(148,500)	-	(148,500)
Balance at 31 December 2010	543,415	(753)	(11,669)	5,817	2,534,009	3,070,819	11,777	3,082,596
Balance at 1 January 2011	543,415	(753)	(11,669)	5,817	2,534,009	3,070,819	11,777	3,082,596
Total comprehensive income for the year								
Total recognised (expense)/income for the year	-	-	-	-	(735,752)	(735,752)	293	(735,459)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(4,775)	-	-	(4,775)	-	(4,775)
Total comprehensive (expense)/income for the year	-	-	(4,775)	-	(735,752)	(740,527)	293	(740,234)
Own shares acquired	-	(3,629)	-	-	-	(3,629)	-	(3,629)
Shares vested to employees	-	3,952	-	(3,952)	-	-	-	-
Expense on equity settled transactions	-	-	-	6,242	-	6,242	-	6,242
Dividends to shareholders	-	-	-	-	(126,900)	(126,900)	-	(126,900)
Balance at 31 December 2011	543,415	(430)	(16,444)	8,107	1,671,357	2,206,005	12,070	2,218,075

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Consolidated cash flow statement

for the year ended 31 December 2011

Thousands of dollars	Note	2011	2010
Cash flows from operating activities			
Receipts from customers		25,636,433	21,680,856
Payments to suppliers, employees and governments		(24,941,412)	(21,135,300)
Dividends and disbursements received		1,395	1,746
Interest received		1,330	1,718
Interest and other finance costs paid		(70,269)	(60,106)
Income taxes paid		(181,075)	(60,456)
Net operating cash inflows	25(b)	446,402	428,458
Cash flows from investing activities			
Purchase of controlled entity, net of cash acquired	26	(21,571)	-
Purchases of property, plant and equipment		(316,836)	(295,576)
Major cyclical maintenance		(79,711)	(55,075)
Purchases of intangibles		(5,083)	(3,064)
Net proceeds from sale of property, plant and equipment		37,911	18,585
Net investing cash outflows		(385,290)	(335,130)
Cash flows from financing activities			
Proceeds from borrowings		12,741,419	9,713,676
Repayments of borrowings		(12,689,517)	(9,659,026)
Repayment of finance lease principal		(2,673)	(3,457)
Dividends paid		(126,900)	(148,500)
Net financing cash outflows		(77,671)	(97,307)
Net decrease in cash and cash equivalents		(16,559)	(3,979)
Cash and cash equivalents at the beginning of the year		18,377	22,356
Cash and cash equivalents at the end of the year	25(a)	1,818	18,377

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.

Notes to the financial statements

for the year ended 31 December 2011

1. Significant accounting policies

Caltex Australia Limited (the company) is a company limited by shares, incorporated and domiciled in Australia. The shares of Caltex Australia Limited are publicly traded on the Australian Securities Exchange. The consolidated financial statements for the year ended 31 December 2011 comprise the company and its controlled entities (together referred to as the Group) and the Group's interest in associates and jointly controlled entities. The consolidated financial statements were approved by the Board and authorised for issue on 27 February 2012.

(a) Statement of compliance and basis of preparation

The financial report has been prepared as a general purpose financial report and complies with the requirements of the *Corporations Act*, and Australian Accounting Standards (AASBs) including Australian Interpretations adopted by the Australian Accounting Standards Board (AASB). The consolidated financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial report is prepared on the historical cost basis except for the following material items in the consolidated balance sheet:

- derivative financial instruments are measured at fair value,
- the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation, and
- fixed assets which are measured at cost less impairment adjustments (i.e. net realisable value).

The consolidated financial report is presented in Australian dollars, which is the Group's functional currency.

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the consolidated financial report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The preparation of a consolidated financial report in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASBs that have a significant effect on the consolidated financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(c).

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report by the Group, except where stated.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

Subsidiaries (continued)

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at the cost of acquisition in the Group's financial statements.

Associates

Associates are those entities over whose financial and operating policies the Group has significant influence, but not control. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of future losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Joint ventures

Joint ventures are those entities or operations over whose activities the Group has joint control, established by contractual agreement.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities, including partnerships, are accounted for using equity accounting principles. Investments in jointly controlled entities are carried at the lower of the equity accounted amount and recoverable amount.

The Group's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement from the date joint control commences until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Jointly controlled operations and assets

The interests of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses arising from transactions with associates and jointly controlled entities are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Accounting estimates and judgements

Note 1(n) contains information about the assumptions and the risk factors relating to impairment.

In assessing the carrying value of property, plant and equipment, management considers long-term assumptions relating to key external factors including crude oil prices, foreign exchange rates and Singapore refiner margins. Any changes in these assumptions can have a material impact on the carrying value. Refer to note 32 for further detail.

In note 1(j), explanation is given of the foreign exchange exposure, interest rate exposure and commodity price exposure of the Group and risks in relation to foreign exchange movements, interest rate movements and commodity price movements.

Note 1(t) contains information about the principal actuarial assumptions used in determining pension obligations for the Group's defined benefit plan.

Note 1(w) provides key sources of estimation, uncertainty and assumptions used in regard to estimation of provisions.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(d) Revenue

Sales revenue

Sales revenue comprises revenue earned (net of rebates, discounts and allowances) from the provision of products to entities outside the Group.

Gross sales revenue excludes amounts collected on behalf of third parties such as goods and services tax (GST). Sales revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, or when the services have been completely provided.

Exchanges of goods or services of the same nature and value are not recognised as revenues regardless of whether the transaction involves cash consideration.

Other income

Dividend income is recognised at the date the right to receive payment is established. Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial asset.

Rental income from leased sites is recognised in the consolidated income statement on a straight-line basis over the term of the lease. Franchise fee income is recognised in accordance with the substance of the agreement. Royalties are recognised as they accrue in accordance with the substance of the agreement.

Profit on disposal of property assets

The profit on disposal of property assets is brought to account at the date a contract of sale is settled, because it is at this time that:

- the costs incurred or to be incurred in respect of the sale can be measured reliably, and
- the significant risks and rewards of ownership of the property have been transferred to the buyer.

Assets that are held for sale are carried at the lower of the net book value and fair value less cost to sell.

(e) Cost of goods sold measured on a replacement cost basis

Cost of goods sold measured on a replacement cost basis excludes the effect of inventory gains and losses, including the impact of exchange rate movements. Inventory gains or losses arise due to movements in the landed price of crude oil, and represent the difference between the actual historic cost of sales and the current replacement value of that inventory.

The net inventory gain or loss is adjusted to reflect the impact of contractual revenue lags.

(f) Product duties and taxes

Product duties and taxes are included in cost of goods sold.

Product duties and taxes include fuel excise, which is a cents per litre impost on products used as fuels, and the product stewardship levy, which is a cents per litre impost on all lubricant products sold. Excise is recognised as part of the cost of inventory, and therefore forms part of cost of goods sold.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated balance sheet. Cash flows are included in the consolidated cash flow statement on a gross basis. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(h) Finance costs

Finance costs include interest payable on borrowings calculated using the effective interest rate method, finance charges in respect of finance leases, losses on hedging instruments that are recognised in profit or loss, exchange differences arising from foreign currency borrowing to the extent that they are regarded as an adjustment to interest costs, and differences relating to the unwinding of the discount of assets and liabilities measured at amortised cost.

Finance costs are recognised as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amounts of finance costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, finance costs are capitalised using a weighted average capitalisation rate.

(i) Foreign currencies

Foreign currency transactions are recorded, on initial recognition, in Australian dollars by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(j) Derivative financial instruments

The Group is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Group may use interest rate instruments, foreign exchange instruments, cross currency swaps, crude swap contracts and finished product swap contracts to hedge these risks.

The Group does not enter into derivative financial instrument transactions for trading or speculative purposes. However, financial instruments entered into to hedge an underlying exposure which does not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. The gain or loss on subsequent remeasurement is recognised immediately in the consolidated income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Interest rate instruments

The fair value of interest rate swap contracts is the estimated amount that the Group would receive or pay to terminate the swap at balance date taking into account current interest rates.

Foreign exchange contracts

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at reporting date.

Spot foreign exchange contracts are recorded at fair value, being the quoted market price at balance date.

Crude and finished product swap contracts

Tapis crude and product swap contracts may be used to reduce exposure to changes in absolute crude and finished product prices and their fair values are calculated by reference to market prices. There are no exchanges of principal amounts involved in these contracts.

The carrying amount of all derivatives, other than those meeting the normal purchases and sales exception, are measured using market prices. Those derivatives qualifying and designated as hedges are either fair value or cash flow hedges.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(j) Derivative financial instruments (continued)

Hedging

Cash flow hedges

Interest rate instruments, forward exchange contracts and crude and finished product swap contracts are cash flow hedges. Cross currency swaps may be cash flow hedges. Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the anticipated transaction results in the recognition of a non-financial asset or non-financial liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the non-financial asset or non-financial liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss in the carrying amount of a cash flow hedge is recognised in the consolidated income statement immediately.

When a hedging instrument or hedge relationship is terminated, but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the consolidated income statement immediately.

Fair value hedges

A change in the carrying amount of a fair value hedge is recognised in the consolidated income statement, together with the change to the carrying amount of the hedged item.

The Group formally documents all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedge transactions. When effectiveness ceases, hedge accounting is discontinued.

Cross currency swaps

The Group has entered into cross currency swaps with matched terms to the underlying US notes. These matched terms include principal, margin and payment terms. These contracts are initially designated as fair value hedges for the swap of the benchmark US and Australian interest rates (a cross currency swap excluding margins) and cash flow hedge for a swap of the fixed US and Australian margin. Initial designation documents also provide scope for interest rate swaps to be entered into over the life of the cross currency swap. On entering into the interest rate swap, the initial fair value hedge is redesignated as a combined cross currency swap and interest rate swap and accounted for as a cash flow hedge.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(k) Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Caltex Australia Limited, as the head company, recognises all current tax balances relating to its wholly owned Australian resident entities included in the tax-consolidated group (TCG).

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the TCG are recognised in the separate financial statements of the members of the TCG using the "group allocation" approach.

Current tax expense/income is allocated based on the net profit/loss before tax of each separate member of the TCG adjusted for permanent differences and intra-group dividends, tax-effected using tax rates enacted or substantially enacted at the balance sheet date.

Any current tax liabilities and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head company in the TCG and are recognised as amounts payable to/receivable from other entities in the TCG in conjunction with any tax funding arrangement amounts.

The Group recognises deferred tax assets arising from unused tax losses of the TCG to the extent that it is probable that future taxable profits of the TCG will be available against which the asset can be utilised.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with the other members of the TCG, has entered into a tax funding arrangement which sets out the funding obligations of members of the TCG in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity payable (receivable) equal in amount to the tax liability (asset) assumed. The inter-entity payables (receivables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with the other members of the TCG, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(l) Receivables

Receivables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less impairment losses.

Impairment testing is performed at reporting date. A provision for impairment losses is raised if there is a specific indicator that an impairment loss on receivables has been incurred.

An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the first in first out (FIFO) principle and includes direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure incurred in acquiring the inventories and bringing them into the existing location and condition.

The amount of any write-down or loss of inventory is recognised as an expense in the period it is incurred.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(m) Inventories (continued)

Inventory write-downs may be reversed when net realisable value increases subsequent to initial write-down. The reversal is limited to the original write-down amount.

(n) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the consolidated income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of the Group's investments in held to maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of property, plant and equipment at 1 January 2004 is included on the basis of deemed cost. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost of property, plant and equipment includes the cost of decommissioning and restoration costs at the end of their economic lives if a present legal or constructive obligation exists. More details of how this cost is estimated and recognised is contained in note 1(w).

Assessment of impairment is made in accordance with the impairment policy in note 1(n).

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases of property, plant and equipment under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(o) Property, plant and equipment (continued)

Finance leases

Assets of the Group acquired under finance leases are capitalised and included in property, plant and equipment at the lesser of fair value or present value of the minimum lease payments. Contingent rentals are written off as an expense of the period in which they are incurred. Capitalised lease assets are depreciated over the shorter of the lease term and its useful life.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The interest components of lease payments are charged to the consolidated income statement to reflect a constant rate of interest on the remaining balance of the liability for each accounting period.

Operating leases

Payments made under operating leases are charged against net profit or loss in equal instalments over the accounting period covered by the lease term, except where an alternative basis is more representative of the benefits to be derived from the leased property. Contingent rentals are recognised as an expense in the period in which they are incurred. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense on a straight-line basis over the lease term.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including cyclical maintenance, is capitalised. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be reliably measured. All other expenditure is recognised in the consolidated income statement as an expense as incurred.

Major cyclical maintenance

Major cyclical maintenance expenditure is separately capitalised as an asset component to the extent that it is probable that future economic benefits, in excess of the originally assessed standard of performance, will eventuate. All other such costs are expensed as incurred. Capitalised cyclical maintenance expenditure is depreciated over the lesser of the additional useful life of the asset or the period until the next major cyclical maintenance is scheduled to occur.

Depreciation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated using the straight-line method over their expected useful lives. Leasehold improvements are amortised over the shorter of the lease term or useful life.

The depreciation rates used, in the current and prior year, for each class of asset are as follows:

Freehold buildings	2%
Leasehold property	2 – 10%
Plant and equipment	3 – 25%
Leased plant and equipment	3 – 25%

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(p) Intangible assets

Goodwill

Business combinations prior to 1 January 2004

As part of the transition to the Australian equivalents to International Financial Reporting Standards (A-IFRS), the Group elected to restate only those business combinations that occurred on or after 1 January 2004. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the Group's previous accounting framework.

Business combinations since 1 January 2004

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(p) Intangible assets (continued)

Goodwill (continued)

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(n)). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the consolidated income statement.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the consolidated income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the consolidated income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see note 1(n)).

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 1(n)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it related. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are reflected by the following amortisation percentages:

Software development	5 – 20%
Software not integrated with hardware	17 – 20%
Licences	6 – 10%

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(r) Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group. Trade accounts payable are normally settled within 30 days.

Payables are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost.

(s) Interest bearing liabilities

Interest bearing bank loans

Interest bearing bank loans are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the consolidated income statement over the period of the interest bearing liability on an effective interest basis.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(s) Interest bearing liabilities (continued)

Domestic medium term notes

Domestic medium term notes are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the consolidated income statement over the period of the interest bearing liability on an effective interest basis.

US notes

US notes hedged by cross currency swaps are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, these US notes are accounted for using fair value hedge accounting to the extent that an effective hedge exists (see note 1(j)).

Where cross currency swaps are redesignated as cash flow hedges, the US notes being hedged are no longer subject to a fair value adjustment. Any accumulated gain/loss capitalised prior to the redesignation will be amortised over the remaining life of the US notes on an effective interest basis.

US notes issued in Australian dollars are recognised when issued at fair value, less transaction costs, using the amortised cost method. Any difference between the amortised cost and the principal value is recognised in the consolidated income statement over the period of the interest bearing liability on an effective interest basis.

(t) Employee benefits

Wages and salaries

The provision for employee benefits to wages and salaries represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the balance date.

Annual leave, long service leave and retirement benefits

The provisions for employee benefits to annual leave, long service leave and retirement benefits which are expected to be settled within 12 months represent the undiscounted amount of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Provisions for employee benefits which are not expected to be settled within 12 months are calculated using expected future increases in wage and salary rates, including related oncosts, and expected settlement dates based on turnover history and are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Superannuation

The Group contributes to several defined contribution and defined benefit superannuation plans.

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the consolidated income statement as incurred.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at balance date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(t) Employee benefits (continued)

Defined benefit plans (continued)

All actuarial gains and losses that arise in calculating the Group's obligation in respect of the plan are recognised directly in retained earnings.

When the calculation results in plan assets exceeding liabilities to the Group, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

(u) Share based payments

The Group provides benefits to senior executives in the form of share based payment transactions, whereby senior executives render services in exchange for shares or rights over shares (equity settled transactions).

The cost of the equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity settled transactions is recognised over the specified service period and ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired.

In the Group's financial statements the transactions of the company sponsored employee share plan trust are treated as being executed directly by the Group (as the trust acts as the Group's agent). Accordingly, shares held by the trust are recognised as treasury stock and deducted from equity.

(v) Environmental costs

Environmental costs related to known environmental obligations under existing law are accrued when they can be reasonably estimated. Accruals are based on best available information and are adjusted as further information develops or circumstances change. Environmental provisions are accounted for in accordance with the provisions accounting policy.

Costs of compliance with environmental regulations and ongoing maintenance and monitoring are expensed as incurred. Recoveries from third parties are recorded as assets when their realisation is virtually certain.

(w) Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event that can be measured reliably and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a finance cost.

Estimates of the amount of an obligation is based on current legal and constructive obligations, technology and price levels. Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future. The carrying amounts of provisions and liabilities are regularly reviewed and adjusted to take account of such change.

In general, the further in the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow. Examples of cash outflows that are expected to occur a number of years in the future and, as a result, about which there is uncertainty of the amounts involved, include asset decommissioning and restoration obligations and employee pension obligations.

A change in the estimate of a recognised provision or liability would impact the consolidated income statement, with the exception of decommissioning and certain restoration costs that relate to the initial construction of an asset, which would be accounted for on a prospective basis.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(w) Provisions (continued)

Restoration and remediation

Provisions relating to current and future restoration and remediation activities are recognised as liabilities when a legal or constructive obligation arises.

The provision is the best estimate of the present value of the expenditure to settle the obligation at the reporting date. These costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period through the consolidated income statement.

The ultimate cost of restoration and remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal and environmental requirements, the emergence of new techniques or experience at other sites and uncertainty as to the remaining life of existing sites.

Asset retirements

Costs for the future dismantling and removal of assets, and restoration of the site on which the assets are located, are provided for and capitalised upon initial construction of the asset, where an obligation to incur such costs arises. The present value of the expected future cash flows required to settle these obligations is capitalised and depreciated over the useful life of the asset. Subsequent accretion to the amount of a provision due to unwinding of the discount is recognised as a finance cost. A change in estimate of the provision is added to or deducted from the cost of the related asset in the period of the change, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the consolidated income statement immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will be applied.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount.

Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are only recognised when a detailed plan has been approved and the restructuring or termination benefits have either commenced or been publicly announced, or when firm contracts related to the restructuring or termination benefits have been entered into. The liabilities for termination benefits have been included in the provision for employee and director benefits.

(x) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-entity sales are recognised based on an internally set transfer price. Sales between segments are based on arm's length principles appropriate to reflect prevailing market pricing structures at that time. Where possible, relevant Import Parity Pricing is used to determine arm's length pricing between the two segments. Revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the consolidated income statement. For the purposes of reporting to the chief operating decision maker, non-fuel income is included on a net basis and is not presented in gross revenue.

Income taxes and net financial income are dealt with at a Group level and not within the reportable segments.

The performance of each reportable segment is measured based on segment replacement cost of sales operating profit before interest and income tax excluding significant items. This measurement basis excludes

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

1. Significant accounting policies (continued)

(x) Segment reporting (continued)

the impact of the rise or fall in oil prices (a key external factor) and presents a clearer picture of the reportable segments' underlying business performance. Segment replacement cost operating profit is measured as management believes that such information is most useful in evaluating the performance of the differing internal business units relative to each other, and other like business units in the industry. Segment replacement cost operating profit is also used to assess the performance of each business unit against internal performance measures.

(y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

Thousands of dollars	2011	2010
2. Other income		
Rental income	53,448	48,755
Royalties and franchise income	112,927	109,574
Transaction and merchant fees	80,952	69,539
Other	47,903	31,505
	295,230	259,373
Finance income		
Interest from other corporations	1,257	1,598
Gain on fair value derivative	30	203
	1,287	1,801
	296,517	261,174
3. Costs and expenses		
Finance costs		
Interest expense	66,049	55,799
Finance charges on capitalised leases	1,749	2,097
Discounting expense	1,442	1,285
Finance costs	69,240	59,181
Depreciation and amortisation		
Depreciation of:		
Buildings	10,529	9,677
Plant and equipment	194,255	184,306
	204,784	193,983
Amortisation of:		
Leasehold property	5,421	5,290
Leased plant and equipment	650	1,083
Intangibles	8,486	8,529
	14,557	14,902
Total depreciation and amortisation	219,341	208,885
Selected expenses		
Total operating personnel expenses	361,108	353,683

Impairment of non-current assets

An impairment expense of \$1,552,780,000 has been recognised during the period. This expense is the combination of; \$1,500,000,000 relating to a non-cash reduction in the refinery fixed asset carrying value due to a challenging external environment (including the ongoing strength of the Australian dollar, lower Caltex refiner margins and increasing costs) which is now expected to sustained for a prolonged period, \$55,815,000 relating to the closure of certain refining units at Kurnell and the reversal of \$3,035,000 of impairment losses on previously impaired non-operating sites as these sites have become operational again during the year. See note 32 for further details.

Significant items

During 2011, the Group incurred significant items that have been recognised in the income statement. These items relate to Refining asset impairment (\$1,500,000,000) as mentioned above, the decision to cease operation of two process plants at Kurnell Refinery - which comprises impairment (\$55,815,000) and FCCU/PDU restructuring costs (\$21,606,000), other redundancy and related costs (\$19,318,000), and reversal of prior year impairments (\$3,035,000).

During 2010, the Group incurred significant items that have been recognised in the income statement and form part of Refining and Supply and Other expenses. These items relate to Refining and Supply restructuring expenses (\$14,963,000), Marketing restructuring expenses (\$5,800,000) and corporate restructuring expenses (\$2,248,000).

Of this total \$1,593,704,000 significant items (2010: \$23,011,000), \$1,552,780,000 is included in impairment of non-current assets, \$17,806,000 is included in Refining and Supply expenses (2010: \$1,688,000) and \$23,118,000 in Other expenses (2010: \$21,323,000).

Notes to the financial statements
for the year ended 31 December 2011 (continued)

Thousands of dollars	2011	2010
4. Income tax (benefit)/expense		
(a) Recognised in the income statement		
Current tax expense:		
Current year	121,837	125,026
Adjustments for prior years	(7,698)	(10,052)
	114,139	114,974
Deferred tax (benefit)/expense:		
Origination and reversal of temporary differences	(422,685)	9,343
Total income tax (benefit)/expense in the income statement	(308,546)	124,317
(b) Reconciliation between income tax (benefit)/expense and (loss)/profit before income tax (benefit)/expense		
(Loss)/profit before income tax (benefit)/expense	(1,021,767)	442,295
Income tax using the domestic corporate tax rate of 30% (2010: 30%)	(306,530)	132,689
Increase in income tax expense due to:		
Imputation gross-up on dividends received	598	494
Capital gains tax	2,690	2,083
Other	4,276	1,656
Decrease in income tax expense due to:		
Share of net profit of associated entities	(384)	(905)
Research and development allowances	(900)	(900)
Franking credits on dividends received	(598)	(748)
Income tax over provided in prior years	(7,698)	(10,052)
Total income tax (benefit)/expense in the income statement	(308,546)	124,317
(c) Deferred tax recognised directly in equity		
Related to actuarial losses	8,889	6,303
Related to cash flow hedges	2,046	713
	10,935	7,016

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

4. Income tax expense (continued)

(d) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Thousands of dollars	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Receivables	2,156	2,203	-	-	2,156	2,203
Inventories	-	-	(9,395)	(5,242)	(9,395)	(5,242)
Property, plant and equipment and intangibles	342,619	-	-	(93,352)	342,619	(93,352)
Payables	6,051	4,533	-	-	6,051	4,533
Interest bearing liabilities	8,020	6,786	-	-	8,020	6,786
Provisions	98,394	99,155	-	-	98,394	99,155
Other	-	-	(1,087)	(945)	(1,087)	(945)
Net tax assets/(liabilities)	457,240	112,677	(10,482)	(99,539)	446,758	13,138

(e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items.

Thousands of dollars	2011	2010
Capital tax losses	177,028	187,494

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which these benefits can be utilised by the Group.

(f) Movement in temporary differences during the year

Thousands of dollars	Balance at 1 Jan 11	Recognised in income	Recognised in equity	Balance at 31 Dec 11
Receivables	2,203	(47)	-	2,156
Inventories	(5,242)	(4,153)	-	(9,395)
Property, plant and equipment	(93,352)	435,971	-	342,619
Payables	4,533	1,518	-	6,051
Interest bearing liabilities	6,786	(812)	2,046	8,020
Provisions	99,155	(9,650)	8,889	98,394
Other	(945)	(142)	-	(1,087)
	13,138	422,685	10,935	446,758

Thousands of dollars	Balance at 1 Jan 10	Recognised in income	Recognised in equity	Balance at 31 Dec 10
Receivables	3,858	(1,655)	-	2,203
Inventories	(13,715)	8,473	-	(5,242)
Property, plant and equipment	(77,620)	(15,732)	-	(93,352)
Payables	7,025	(2,492)	-	4,533
Interest bearing liabilities	7,170	(1,097)	713	6,786
Provisions	89,889	2,963	6,303	99,155
Other	(1,142)	197	-	(945)
	15,465	(9,343)	7,016	13,138

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

5. Dividends

(a) Dividends declared or paid

Dividends recognised in the current year by the company are:

	Date of payment	Franked/ unfranked	Cents per share	Total amount \$'000
2011				
Interim 2011	27 September 2011	Franked	17	45,900
Final 2010	29 March 2011	Franked	30	81,000
Total amount				126,900
2010				
Interim 2010	28 September 2010	Franked	30	81,000
Final 2009	29 March 2010	Franked	25	67,500
Total amount				148,500

The dividends paid during 2011 were fully franked at the rate of 30%.

Subsequent events

Since 31 December 2011, the directors declared the following dividend. The dividend has not been provided for and there are no income tax consequences for the Group in relation to 2011.

Final 2011	3 April 2012	Franked	28	75,600
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The financial effect of this final dividend has not been reflected in the financial statements for the year ended 31 December 2011 and will be recognised in subsequent financial reports.

Thousands of dollars	2011	2010
(b) Dividend franking account		
30% franking credits available to shareholders of Caltex Australia Limited for subsequent financial years	1,008,964	947,673

(i) The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability, is to reduce the balance by \$32,400,000 (2010: \$34,714,286).

In accordance with the tax consolidation legislation, Caltex Australia Limited as the head entity in the tax-consolidated group has also assumed the benefit of \$1,008,964,000 (2010: \$947,673,000) in franking credits.

Notes to the financial statements
for the year ended 31 December 2011 (continued)

6. Basic and diluted (loss)/earnings per share	2011	2010
Historical cost - cents per share	(264.3)	117.4
Replacement cost (RCOP) excluding significant items - cents per share	97.7	117.8

The calculation of historical cost basic earnings per share for the year ended 31 December 2011 was based on the net loss attributable to ordinary shareholders of the parent entity of \$713,514,000 (2010: \$316,952,000 profit) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 270 million shares (2010: 270 million shares).

The calculation of replacement cost excluding significant items basic earnings per share for the year ended 31 December 2011 was based on the net replacement cost profit attributable to ordinary shareholders of the parent entity adjusted for significant items relating to asset impairment, restructuring, redundancy and other related costs (refer to note 30 for details of these items) of \$263,865,000 (2010: \$318,190,000 profit) and a weighted average number of ordinary shares outstanding as disclosed during the year ended 31 December 2011 of 270 million shares (2010: 270 million shares). RCOP is calculated by adjusting statutory profit for inventory gains and losses.

There are no dilutive potential ordinary shares, and therefore diluted earnings per share equals basic earnings per share.

Thousands of dollars	2011	2010
7. Receivables		
Current		
Trade debtors	885,465	739,409
Allowance for impairment	(6,472)	(5,840)
	878,993	733,569
Associated entities	66,190	40,305
Other related entities	3,376	17,875
Other debtors	52,931	47,928
	1,001,490	839,677
Non-current		
Other loans	1,566	554

(a) Impaired receivables

As at 31 December 2011, current trade receivables of the Group with a nominal value of \$6,472,000 (2010: \$5,840,000) were impaired. The individually impaired receivables relate to a variety of customers who are in financial difficulties.

No collateral is held over these impaired receivables.

As at 31 December 2011, trade receivables of \$21,852,000 (2010: \$18,543,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of receivables past due but not impaired is as follows:

Thousands of dollars	2011	2010
Past due 0 – 30 days	17,573	14,972
Past due 31 – 60 days	2,550	1,121
Past due greater than 60 days	1,729	2,450
	21,852	18,543

Notes to the financial statements
for the year ended 31 December 2011 (continued)

7. Receivables (continued)
(a) Impaired receivables (continued)

Movements in the allowance for impairment of receivables are as follows:

Thousands of dollars	2011	2010
At 1 January	5,840	12,031
Provision for impairment recognised during the year	3,614	573
Receivables written off during the year as uncollectible	(2,982)	(5,400)
Unused amount reversed	-	(1,364)
At 31 December	6,472	5,840

The creation and release of the provision for impaired receivables has been included in Other expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. There are no receivables that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

(b) Foreign exchange and interest rate risk

Refer to note 17 for exposures to foreign exchange and interest rate risk relating to trade and other receivables.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. Maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Refer to note 17 for further details.

Thousands of dollars	2011	2010
8. Inventories		
Crude oil and raw materials held at cost	786,511	567,069
Inventory in process held at cost	133,566	168,370
Finished goods held at cost	757,534	609,367
Materials and supplies held at cost	40,121	40,504
	1,717,732	1,385,310
9. Other assets		
Current		
Prepayments	35,862	30,107
Non-current		
Other	1,801	4,771
10. Other investments		
Investment in other entities	3	15

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

Thousands of dollars	Goodwill	Rights	Software	Total
11. Intangibles				
Cost				
At 1 January 2011	65,803	5,986	63,277	135,066
Additions	18,749	-	5,083	23,832
Disposals	-	-	(370)	(370)
Balance at 31 December 2011	84,552	5,986	67,990	158,528
Cost				
Balance at 1 January 2010	65,803	3,986	88,768	158,557
Additions	-	2,000	1,064	3,064
Disposals	-	-	(26,555)	(26,555)
Balance at 31 December 2010	65,803	5,986	63,277	135,066
Amortisation				
At 1 January 2011	(16,391)	(3,450)	(35,362)	(55,203)
Amortisation for the year	-	(802)	(7,684)	(8,486)
Disposals	-	-	169	169
Balance at 31 December 2011	(16,391)	(4,252)	(42,877)	(63,520)
Amortisation				
Balance at 1 January 2010	(16,391)	(3,087)	(53,751)	(73,229)
Amortisation for the year	-	(363)	(8,166)	(8,529)
Disposals	-	-	26,555	26,555
Balance at 31 December 2010	(16,391)	(3,450)	(35,362)	(55,203)
Carrying amount				
At 1 January 2011	49,412	2,536	27,915	79,863
At 31 December 2011	68,161	1,734	25,113	95,008
Carrying amount				
At 1 January 2010	49,412	899	35,017	85,328
At 31 December 2010	49,412	2,536	27,915	79,863

Amortisation

The amortisation charge of \$8,486,000 (2010: \$8,529,000) is recognised in Refining and Supply expenses, Marketing expenses and Other expenses in the income statement.

Impairment tests for cash-generating units containing goodwill

Goodwill acquired through business combinations has been tested for impairment as follows.

Thousands of dollars	2011	2010
Distributor businesses	68,161	49,412

Distributor businesses

The recoverable amount of goodwill with distributor businesses has been determined based on a value in use calculation. This calculation uses pre-tax cash flow projections based on an extrapolation of the year end cash flows and available budget information. The cash flows have been discounted using a pre-tax discount rate of 14.6% p.a. The cash flows have been extrapolated using a constant growth rate of 2.5%. The growth rates used do not exceed the long-term growth rate for the industry.

There were no impairment losses recognised in relation to the distributor businesses during the year ended 31 December 2011 (2010: nil).

Notes to the financial statements
for the year ended 31 December 2011 (continued)

11. Intangibles (continued)

Key assumptions used in value in use calculations

Key assumption

Cash flow

Estimated long-term average growth rate

Discount period

Discount rate

Basis for determining value in use assigned to key assumption

Earnings before interest, tax, depreciation and amortisation (EBITDA)

2.5%, as considered appropriate for each distributor business

based on past experience

Represents the longest remaining life of assets acquired

The risk specific to the asset

The values assigned to the key assumptions represent management's assessment of future trends in the petroleum industry and are based on both external sources and internal sources (historic data).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill recorded to exceed its recoverable amount.

Thousands of dollars	2011	2010
12. Property, plant and equipment		
Freehold land		
At cost	372,970	365,986
Net carrying amount	372,970	365,986
Buildings		
At cost	402,415	365,313
Accumulated depreciation and impairment losses	(218,657)	(169,462)
Net carrying amount	183,758	195,851
Leasehold property		
At cost	111,571	103,222
Accumulated amortisation	(68,814)	(68,820)
Net carrying amount	42,757	34,402
Plant and equipment		
At cost	4,122,947	3,938,518
Accumulated depreciation and impairment losses	(3,409,375)	(1,900,453)
Net carrying amount	713,572	2,038,065
Leased plant and equipment		
At capitalised cost	24,051	24,051
Accumulated amortisation	(23,079)	(22,429)
Net carrying amount	972	1,622
Capital projects in progress		
At cost	221,419	259,596
Net carrying amount	221,419	259,596
Total net carrying amount	1,535,448	2,895,522

Notes to the financial statements
for the year ended 31 December 2011 (continued)

12. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Thousands of dollars	2011	2010
Freehold land		
Carrying amount at the beginning of the year	365,986	377,185
Additions	6,984	6,660
Disposals	-	(17,859)
Carrying amount at the end of the year	372,970	365,986
Buildings		
Carrying amount at the beginning of the year	195,851	173,986
Additions	2,953	3,671
Impairment loss	(43,000)	-
Disposals	(1,785)	(5,423)
Transfers from capital projects in progress	40,268	33,294
Depreciation	(10,529)	(9,677)
Carrying amount at the end of the year	183,758	195,851
Leasehold property		
Carrying amount at the beginning of the year	34,402	30,551
Additions	102	600
Disposals	(884)	(921)
Transfers from capital projects in progress	14,558	9,462
Amortisation	(5,421)	(5,290)
Carrying amount at the end of the year	42,757	34,402
Plant and equipment		
Carrying amount at the beginning of the year	2,038,065	1,913,765
Additions	80,253	69,596
Acquisition through entity acquired	14,382	-
Impairment loss	(1,395,215)	-
Disposals	(1,685)	(16,849)
Transfers from capital projects in progress	168,992	255,859
Depreciation	(194,255)	(184,306)
Impairment reversal	3,035	-
Carrying amount at the end of the year	713,572	2,038,065
Leased plant and equipment		
Carrying amount at the beginning of the year	1,622	2,351
Additions	-	354
Amortisation	(650)	(1,083)
Carrying amount at the end of the year	972	1,622
Capital projects in progress		
Carrying amount at the beginning of the year	259,596	282,008
Additions	303,241	277,337
Write-offs	-	(1,134)
Impairment loss	(117,600)	-
Transfers to buildings, leased property, plant and equipment	(223,818)	(298,615)
Carrying amount at the end of the year	221,419	259,596

Please see note 32 for further details on impairment.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

Thousands of dollars	2011	2010
13. Payables		
Current		
Trade creditors - unsecured (a)		
Related entities	434,363	208,909
Other corporations and persons	552,242	460,043
Other creditors and accrued expenses	687,412	560,861
	1,674,017	1,229,813
Non-current		
Other creditors and accrued expenses	6,726	5,130

(a) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

Thousands of dollars	2011	2010
14. Interest bearing liabilities		
Current - unsecured		
US notes (i)	113,415	-
Bank loans (i)	38,000	130,000
Lease liabilities (iii)	2,564	2,469
	153,979	132,469
Non-current - unsecured		
US notes (i)	181,634	288,575
Domestic medium term notes (i)	149,420	-
Bank loans (i)	50,000	50,000
Hedge payable (ii)	81,933	87,048
Lease liabilities (iii)	1,698	4,466
	464,685	430,089

This note provides information about the contractual terms of Caltex's interest bearing loans and other liabilities. For more information about Caltex's exposure to interest rate and foreign currency risk, see note 17.

- (i) The bank loans, domestic medium term notes and the US notes are provided by a number of banks and capital markets. The US notes and hedge payable will mature in: July 2012, totalling \$113,414,850, April 2014, totalling \$74,199,000, and April 2016, totalling \$189,368,000. The domestic medium term notes will mature in November 2018, totalling \$149,420,000. Under the loan and note agreements, the Caltex Australia Group is required to comply with certain financial covenants. There is no security or demand placed on the bank loans, domestic medium term notes and US notes. The bank loans and domestic medium term notes are denominated in Australian dollars, and US notes are denominated in Australian and US dollars.
- (ii) The hedge payable is disclosed within interest bearing liabilities as the hedge was entered into solely as a result of the US dollar borrowings and is inextricably linked to the debt. The non-current hedge payable mainly represents the impact of the movement in the exchange rate from the date of inception (6 May 2009, USD exchange rate 0.7090) to 31 December 2011 (USD exchange rate 1.0134) on the amount hedged (USD 175 million).
- (iii) The implicit rate of interest on finance leases is 14.0% p.a. (2010: 14.0% p.a.). Refer to note 19 for details on the timing and amount of future lease payments.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

15. Provisions

Thousands of dollars	Employee benefits	Site remediation	Other	Total
Balance at 1 January 2011	207,397	95,207	28,462	331,066
Provisions made during the year	48,229	14,186	28,317	90,732
Provisions used during the year	(31,255)	(40,624)	(21,831)	(93,710)
Discounting movement	(253)	1,944	-	1,691
Balance at 31 December 2011	224,118	70,713	34,948	329,779
Current	92,108	12,913	34,948	139,969
Non-current	132,010	57,800	-	189,810
	224,118	70,713	34,948	329,779

Employee benefits

The current provisions for employee benefits, which include annual leave, long service leave, employee bonus, redundancy and retirement benefits, represent the present value of the estimated future cash outflows to be made by the Group resulting from employees' services provided up to the balance date.

Provisions for employee benefits which are not expected to be settled within 12 months are calculated using future expected increases in salary rates, including related oncosts, turnover rates, and expected settlement dates based on turnover history and are discounted using the rates attaching to the national government securities, which most closely match the terms of maturity of the related liabilities.

Restoration and remediation

Provision is made for the remediation of oil refining, distribution and marketing sites. The estimation of the cost of future remediation activities is subject to potentially significant uncertainties. These uncertainties include the legal and regulatory framework, the magnitude of possible contamination, and the timing and extent of remediation activities required.

Other

Other includes legal, insurance and other provisions.

16. Issued capital

Thousands of dollars	2011	2010
Ordinary shares		
Issued capital 270 million ordinary shares, fully paid	543,415	543,415

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of Caltex Australia Limited, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Caltex grants performance rights to senior executives (refer to the Directors' Report on pages 15 to 37 for further detail).

For each right that vests, Caltex will purchase a share on market following vesting.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

17. Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses a range of derivative financial instruments to hedge these risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and ageing analysis for credit risk.

Risk management is carried out by Group Treasury for interest rate risk, foreign exchange exposures, liquidity risk and capital management. Risk management activities in respect of credit risk are carried out by the Group's Credit Risk department. Both Group Treasury and Credit Risk operate under policies approved by the Board of directors. Group Treasury and Credit Risk identify, evaluate and monitor the financial risks in close co-operation with the Group's operating units. The Group has written policies covering specific areas, such as foreign exchange risk (including hedging activities), interest rate risk, liquidity risk and credit risk and they are summarised further below.

The Group's principal financial instruments, other than derivatives, comprise bank loans, domestic medium term notes, US notes, finance leases, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The Group enters into derivative transactions, principally interest rate swaps, forward currency contracts, and commodity pricing swaps.

The purpose is to manage the interest rate risks, currency risks and commodity pricing risks arising from the Group's operations and its sources of finance.

It is, and has been throughout the period under review, the Group's policy that no discretionary trading in financial instruments shall be undertaken. The Group's accounting policies in relation to derivatives are set out in note 1.

The magnitude of each type of financial risk that has arisen over the year is discussed below.

(a) Interest rate risk

Interest rate instruments

The Group enters into fixed interest rate instruments to manage cash flow risks associated with the interest rates on borrowings that are floating. Interest rate instruments allow the Group to swap floating rate borrowings into fixed rates. Maturities of swap contracts are principally between one and five years.

Each contract involves periodic payment or receipt of the net amount of interest. At 31 December 2011, the fixed rates varied from 4.4% p.a. to 5.3% p.a. (2010: 4.4% p.a. to 5.1% p.a.), a weighted average rate of 4.9% p.a. (2010: 4.7% p.a.). The floating rates were at bank bill rates or the RBA cash rate.

The net fair value of interest rate swap contracts at 31 December 2011 was \$4,897,000 loss (2010: \$1,014,000 profit). The Group classifies qualifying interest rate swap contracts as cash flow hedges.

The Caltex Australia Group has entered into combined cross currency swap and interest rate swap contracts maturing in three years (30 April 2014) and cross currency swap contracts maturing in five years (30 April 2016) to manage interest rate and currency risks on US dollar denominated borrowings.

The net fair value of derivative contracts inextricably linked to US dollar denominated borrowings at 31 December 2011 was \$81,933,000 loss (2010: \$87,048,000 loss). The Group has combined cross currency swap and interest rate swap contracts classified as cash flow hedges and cross swap contracts (excluding margins) classified as fair value hedges and US and Australian margins classified as cash flow hedges.

At 31 December 2011, if interest rates had changed by +/-1% from the year end rates, with all other variables held constant, net profit for the year for the Group would have been \$1,200,000 higher/\$1,100,000 lower (2010: \$750,000 higher/\$1,055,000 lower), and equity would have been \$3,000,000 lower/\$2,800,000 higher (2010: \$3,660,000 lower/\$3,450,000 higher).

Interest rate sensitivity analysis

Dollars	2011		2010	
	Net profit	Equity	Net profit	Equity
Interest rates decrease 1%	1,200,000	(3,000,000)	750,000	(3,660,000)
Interest rates increase 1%	(1,100,000)	2,800,000	(1,055,000)	3,450,000

Notes to the financial statements
for the year ended 31 December 2011 (continued)

17. Financial instruments (continued)

(a) Interest rate risk (continued)

Interest rate risk exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities are set out as follows:

Thousands of dollars

31 December 2011	Note	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total	Effective interest rate p.a.
			Less than one year	Between one and five years	Greater than five years			
Financial assets								
Cash at bank and on hand		1,818	-	-	-	-	1,818	4.0%
		1,818	-	-	-	-	1,818	
Financial liabilities								
Bank loans	14	88,000	-	-	-	-	88,000	4.6%
US notes	14	-	113,415	181,634	-	-	295,049	10.2%
Domestic medium term note	14	-	-	149,420	-	-	149,420	7.3%
Hedge payable	14	-	-	81,933	-	-	81,933	11.2%
Lease liabilities	14	-	2,564	1,698	-	-	4,262	14.0%
		88,000	115,979	414,685	-	-	618,664	

Thousands of dollars

31 December 2010	Note	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total	Effective interest rate p.a.
			Less than one year	Between one and five years	Greater than five years			
Financial assets								
Cash at bank and on hand		18,377	-	-	-	-	18,377	4.8%
		18,377	-	-	-	-	18,377	
Financial liabilities								
Bank loans	14	180,000	-	-	-	-	180,000	5.0%
US notes	14	-	-	162,638	125,937	-	288,575	10.4%
Hedge payable	14	-	-	23,301	63,747	-	87,048	10.4%
Lease liabilities	14	-	2,469	4,466	-	-	6,935	14.0%
		180,000	2,469	190,405	189,684	-	562,558	

Interest on financial instruments classified as floating rate is repriced at intervals of less than six months.

Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

17. Financial instruments (continued)

(b) Foreign exchange risk

The Caltex Australia Group is exposed to the effect of changes in exchange rates on the operations of the Group. In particular, at least in the short term, the refiner margin is determined principally with reference to the US dollar Singapore spot product price.

The Caltex Australia Group enters into forward foreign exchange contracts to cover major capital expenditure items. In addition, in June 2010 the Caltex Australia Group implemented a foreign exchange hedging policy of 50% of the Group's US dollar denominated crude and product payables exposure (after applying natural hedges), which is the neutral position. As at 31 December 2011, the total fair value of all outstanding forward contracts amounted to \$5,484,000 loss (2010: \$8,670,000 loss).

US dollar denominated borrowings are swapped into Australian dollar exposure; as a result, there were no net foreign currency gains or losses arising from translation of these borrowings.

At 31 December 2011, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, net profit for the year for the Group would have been \$26,800,000 higher/\$28,300,000 lower (2010: \$10,500,000 higher/\$12,800,000 lower), and equity would have been \$6,200,000 lower/\$6,900,000 higher (2010: \$4,300,000 lower/\$5,200,000 higher) had the Australian dollar strengthened/weakened by 10% against the US dollar.

Foreign exchange rate sensitivity analysis

Dollars	2011		2010	
	Net profit	Equity	Net profit	Equity
AUD strengthens against USD 10%	26,800,000	(6,200,000)	10,500,000	(4,300,000)
AUD weakens against USD 10%	(28,300,000)	6,900,000	(12,800,000)	5,200,000

Exposure to foreign exchange risk

The carrying amounts of the Group's financial instruments are denominated in the following currencies (Australian dollar equivalent amounts):

Thousands of dollars	2011 Australian dollar			2010 Australian dollar		
	US dollar	dollar	Total	US dollar	dollar	Total
(Bank overdraft)/cash	(9,565)	11,383	1,818	542	17,835	18,377
Trade receivables	66,686	936,370	1,003,056	106,994	733,237	840,231
Trade payables	(927,561)	(747,698)	(1,675,259)	(592,520)	(633,753)	(1,226,273)
Forward exchange contracts	(5,484)	-	(5,484)	(8,670)	-	(8,670)
US notes	(181,634)	(113,415)	(295,049)	(176,354)	(112,221)	(288,575)
Hedge payable	(81,933)	-	(81,933)	(87,048)	-	(87,048)

(c) Commodity price risk

The Group utilises both crude and finished product swap contracts from time to time, on specific cargoes, to manage the risk of price movements (Basis and Timing). The Board approved hedging policy precludes the use of refiner margin hedging. The Board policy seeks to neutralise adverse basis and timing risk brought about by purchase and sales transactions that are materially outside the normal operating conditions of the Group. During the year, the Group employed hedge instruments to correct timing risk issues created by purchasing West African Crude based on a five day Brent pricing window and converting that pricing to whole month average pricing, which is currently in line with the Group's normal crude pricing arrangements. During 2011, 23 cargoes representing 21.8 million barrels of West African Crude were converted from five day pricing to whole month average pricing (2010: 12 cargoes and 11.3 million barrels).

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

17. Financial instruments (continued)

(d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the Group which have been recognised on the consolidated balance sheet is the carrying amount of trade debtors, net of allowances for impairment.

Caltex has a Board approved Credit Policy and manual which provide the guidelines for the management and diversification of the credit risk to Caltex. The guidelines provide for the manner in which the credit risk of customers is assessed and the use of credit rating and other information in order to set appropriate limits of trade with customers. The credit quality of customers is consistently monitored in order to identify any potential adverse changes in the credit risk of the customers. Where sales to retail customers are settled in cash or using major credit cards, the credit risk is mitigated.

Caltex also minimises concentrations of credit risk by undertaking transactions with a large number of customers across a variety of industries and networks. Accordingly, there are not any significant concentrations of credit risk.

Security is required to be supplied by certain groups of Caltex customers to minimise risk. The security is predominantly in the form of fixed and floating charges over the customer's business and mortgages over the business property. However, mortgages are also held over directors' property such as residential houses or rural properties. Bank guarantees or insurance bonds are also provided in some cases.

The estimated realisable value of the security takes into consideration that the sale of the assets under the security may be in a distressed situation.

Credit risk on derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks.

The maximum credit risk exposure on foreign currency contracts is the full amount of the foreign currency the Caltex Australia Group pays when settlement occurs, should the counterparty fail to pay the amount which it is committed to pay the Group. The full amount of the exposure is disclosed at note 17(b).

The credit risk on interest rate swaps is limited to the positive mark to market amount to be received from counterparties over the life of contracts that are favourable to the Caltex Australia Group. The full amount of the exposure is disclosed at note 17(a).

(e) Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and an adequate amount of committed credit facilities to meet the forecast requirements of the business. Due to the dynamic nature of the underlying business, management maintains flexibility in funding by keeping additional committed credit facilities above forecast requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

17. Financial instruments (continued)

(e) Liquidity risk management (continued)

The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Weighted average effective interest %	Carrying amount \$'000	Contractual cash flows \$'000	Less than one year \$'000	Between one and five years \$'000	Greater than five years \$'000
31 December 2011						
Interest bearing liabilities						
Bank loans	4.6	88,000	88,201	38,155	50,046	-
US notes	10.2	295,049	348,873	132,951	215,922	-
Domestic medium term notes	7.3	149,420	225,545	10,875	54,375	160,295
Hedge payable	11.2	81,933	120,043	11,901	108,142	-
Lease liabilities	14.0	4,262	4,697	2,870	1,827	-
Payables						
Interest rate swaps	4.9	4,897	5,279	2,072	3,207	-
Forward FX contracts - inflow	-	-	(588,735)	(586,103)	(2,632)	-
- outflow	-	5,484	595,235	592,364	2,871	-
Payables	-	1,670,362	1,678,043	1,669,556	8,487	-
31 December 2010						
Interest bearing liabilities						
Bank loans	5.0	180,000	180,354	130,139	50,215	-
US notes	10.4	288,575	377,457	24,411	224,788	128,258
Hedge payable	10.4	87,048	147,604	13,836	74,736	59,032
Lease liabilities	14.0	6,935	7,923	3,004	4,919	-
Payables						
Interest rate swaps	4.7	(1,014)	(1,175)	(506)	(669)	-
Forward FX contracts - inflow	-	-	(338,879)	(338,879)	-	-
- outflow	-	8,670	348,299	348,299	-	-
Payables	-	1,227,287	1,228,710	1,222,298	6,412	-

(f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's strategy is to maintain a minimum long term credit rating of BBB+, in order to secure access to finance at a reasonable cost.

The gearing ratios at 31 December 2011 and 31 December 2010 were as follows:

Thousands of dollars	2011	2010
Total interest bearing liabilities	618,664	562,558
Less: cash and cash equivalents	(1,818)	(18,377)
Net debt	616,846	544,181
Total equity	2,218,075	3,082,596
Total capital	2,834,921	3,626,777
Gearing ratio	21.8%	15.0%

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

17. Financial instruments (continued)

(g) Net fair values of financial assets and liabilities

Net fair values of recognised financial assets and liabilities with their carrying amounts shown in the balance sheet are as follows:

Thousands of dollars	Asset/(liability) Carrying amount 2011	Fair value 2011	Asset/(liability) Carrying amount 2010	Fair value 2010
Receivables	1,003,056	1,003,056	840,231	840,231
Cash and cash equivalents	1,818	1,818	18,377	18,377
Other investments	3	3	15	15
Interest bearing liabilities				
Bank loans	(88,000)	(88,000)	(180,000)	(180,000)
US notes	(295,049)	(306,568)	(288,575)	(316,252)
Domestic medium term notes	(149,420)	(149,420)	-	-
Cross currency swaps	(81,933)	(81,933)	(87,048)	(87,048)
Lease liabilities	(4,262)	(4,493)	(6,935)	(7,253)
Payables				
Interest rate swaps	(4,897)	(4,897)	1,014	1,014
Forward foreign exchange contracts	(5,484)	(5,484)	(8,670)	(8,670)
Payables	(1,670,362)	(1,670,362)	(1,227,287)	(1,227,287)
	(1,294,530)	(1,306,280)	(938,878)	(966,873)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

Derivatives

The fair value of cross currency swaps and interest rate swaps is determined as the present value of future contracted cash flows. Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of the cash flows. These valuation techniques use inputs other than quoted prices included within a Level 1 hierarchy, that is they are not priced off identically traded assets or liabilities as these derivatives have been transacted over the counter with banks. This means all derivatives are categorised as a Level 2 hierarchy.

Interest bearing loans and borrowings

Cash flows are discounted using standard valuation techniques at the applicable market yield, having regard to the timing of cash flows.

Lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at the rate implicit in the lease agreement.

Receivables/payables

For receivables/payables with a remaining life of less than six months, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value, if the effect of discounting is material.

Interest rates used for determining fair value

Caltex used the government bond rate as of 31 December 2011 plus an adequate constant credit spread to discount financial instruments. The annual interest rates used are as follows:

	2011	2010
Lease liabilities	3%	5%
Receivables	5 – 6%	6 – 7%
Payables	3 – 6%	6%

Notes to the financial statements
for the year ended 31 December 2011 (continued)

Thousands of dollars	Note	2011	2010
18. Employee benefits			
(a) Liability for employee benefits			
Current			
Liability for annual leave		27,443	25,549
Liability for long service leave		5,461	8,516
Liability for termination benefits		28,693	38,599
Bonus accrued		30,511	37,334
		92,108	109,998
Non-current			
Liability for long service leave		59,589	57,500
Defined benefit superannuation obligation		72,421	39,899
		132,010	97,399
Total liability for employee benefits	15	224,118	207,397

(b) Superannuation commitments

The Group contributes to superannuation plans to provide benefits to employees and their dependants upon retirement, disability or death. Employer contributions (where applicable) are based on a percentage of salary. The employer is committed to contribute to the plans as prescribed by the relevant trust deeds and relevant legislation.

Notes to the financial statements
for the year ended 31 December 2011 (continued)

18. Employee benefits (continued)

(b) Superannuation commitments (continued)

Caltex Australia Superannuation Plan - Defined Benefit Division

The Caltex Australia Superannuation Plan - Defined Benefit Division is predominantly a defined benefit plan, but it also includes the retirement account, which is a defined contribution payable by the Group.

Information from the most recent actuarial valuation for the defined benefit plan at 31 December 2011 follows:

Thousands of dollars	2011	2010
Movements in the net liability for defined benefit obligation recognised in the balance sheet		
Net liability for defined benefit obligation at the beginning of the year	39,899	43,381
Expense recognised in the income statement	7,240	5,786
Actuarial losses recognised in retained earnings	31,128	21,011
Employer contributions	(5,028)	(30,279)
Benefits paid	(819)	-
Net liability for defined benefit obligation at the end of the year	72,420	39,899
Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefit obligation at the beginning of the year	222,164	204,726
Current service cost	9,266	8,228
Interest cost	9,534	8,495
Contributions by plan participants	2,298	2,369
Actuarial losses recognised in retained earnings	12,929	22,411
Benefits paid	(29,387)	(24,065)
Present value of defined benefit obligation at the end of the year	226,804	222,164
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the year	182,265	161,345
Expected return on plan assets	11,560	10,937
Actuarial (losses)/gains recognised in retained earnings	(18,199)	1,400
Employer contributions	5,028	30,279
Contributions by plan participants	2,298	2,369
Benefits paid	(28,568)	(24,065)
Fair value of plan assets at the end of the year	154,384	182,265
Reconciliation of the net liability recognised in the balance sheet		
Defined benefit obligation	226,804	222,164
Fair value of plan assets	(154,384)	(182,265)
Net liability	72,420	39,899
Expense recognised in the income statement		
The expense is recognised in Refining and Supply expenses, Marketing expenses, and Other expenses in the income statement.		
Service cost	9,266	8,228
Interest cost	9,534	8,495
Expected return on assets	(11,560)	(10,937)
Superannuation expense	7,240	5,786
Amounts recognised in equity		
Actuarial losses	31,128	21,011
Cumulative actuarial losses	98,965	67,837

Notes to the financial statements
for the year ended 31 December 2011 (continued)

18. Employee benefits (continued)

(b) Superannuation commitments (continued)

Plan assets	2011	2010
The percentage invested in each asset class at the balance sheet date was:		
Australian equity	19%	32%
International equity	28%	25%
Fixed income	13%	18%
Alternatives/Other	18%	14%
Property	4%	7%
Cash	18%	4%

The fair value of plan assets includes no amounts relating to any of the company's own financial instruments, and any property occupied by, or other assets used by, the company.

The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

Thousands of dollars	2011	2010
Actual return on plan assets (loss)/gain	(6,639)	12,337
Principal actuarial assumptions at the balance sheet date (% p.a.)		
Discount rate (active members)	3%	5%
Discount rate (pensioners)	4%	5%
Expected rate of return on plan assets (active members)	7%	7%
Expected rate of return on plan assets (pensioners)	8%	8%
Expected salary increase rate	5%	6%

Historical information

Thousands of dollars	2011	2010	2009
Present value of defined benefit obligation	(226,804)	(222,164)	(204,726)
Fair value of plan assets	154,384	182,265	161,345
Deficit in plan	72,420	39,899	43,381
Experience adjustments on plan assets - (loss)/gain	(17,202)	(5,222)	10,376
Experience adjustments on plan liabilities - (loss)/gain	(1,557)	(4,868)	4,839

Expected employer contributions for the reporting year to 31 December 2012 is \$5,659,000.

Caltex Australia - Guaranteed Retirement Payment Plan benefit

The Caltex Australia Guaranteed Retirement Payment Plan (GRPP) is a benefit for which, if necessary, the company will supplement an eligible member's entitlement from the accumulation division to guarantee a minimum total payment. Balances relating to this benefit have been included in the overall defined benefit figures presented in note 18(b) in the financial statements.

Caltex Australia Superannuation Plan - Accumulation Division

As this is a defined contribution plan, no actuarial review has been performed on this plan. The plan benefits to members are as described in the trust deed. Funds are available to satisfy all vested benefits in the event of termination of the fund or the voluntary or compulsory termination of employment of each employee of the participating employers.

Thousands of dollars	2011	2010
Employer contributions to the accumulation division plan during the year	15,429	14,727

Notes to the financial statements
for the year ended 31 December 2011 (continued)

19. Commitments
(a) Capital expenditure

Thousands of dollars	2011	2010
Capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	32,511	16,857
	32,511	16,857

(b) Leases
Finance leases

Thousands of dollars	31 December 2011			31 December 2010		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within one year	2,871	307	2,564	3,004	535	2,469
Between one and five years	1,826	128	1,698	4,919	453	4,466
	4,697	435	4,262	7,923	988	6,935

The Caltex Australia Group leases production plant and equipment under finance leases expiring from one to five years. At the end of the lease term, the Group has the option of extending the leases for a further five year period. Some leases involve lease payments comprising a base amount plus an incremental rental. Contingent rentals are based on operating performance criteria. No contingent rentals were paid during the year (2010: nil).

Operating leases

Thousands of dollars	2011	2010
Non-cancellable operating leases		
- Group as lessee		
Future minimum rentals payable:		
Within one year	96,140	85,359
Between one and five years	317,714	256,328
After five years	92,369	118,715
	506,223	460,402

The Group leases property under operating leases expiring from one to 15 years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise mainly a base amount; however, in a few cases, they include a base amount and incremental contingent rental. Contingent rentals are based on operating performance criteria. No contingent rentals were paid during the year (2010: nil).

The expense recognised in the income statement during the year in respect of operating leases is \$97,277,000 (2010: \$92,107,000).

There are no restrictions placed upon the Group by entering into these leases. Renewals are at the option of the specific entity that holds the lease.

Operating leases

Thousands of dollars	2011	2010
Non-cancellable operating leases		
- Group as lessor		
Future minimum rentals receivable:		
Within one year	67,463	40,757
Between one and five years	110,639	88,562
After five years	29,951	70,712
	208,053	200,031

The Group leases property under operating leases expiring from one to 15 years.

Some of the leased properties have been sublet by the Group. The lease and sublease expire between 2012 and 2021.

Note 2 shows the rental income recognised in the income statement in respect of operating leases.

Notes to the financial statements
for the year ended 31 December 2011 (continued)

20. Contingent assets and liabilities

The details and estimated maximum amounts of contingent assets and liabilities (for which no provisions are included in the financial report) are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these assets and liabilities will crystallise and consequently no provisions are included in the financial report in respect of these matters.

Thousands of dollars	2011	2010
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(a) Contingent assets - legal and other claims

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In the ordinary course of business, the Group is involved as a plaintiff in legal proceedings. Where appropriate, Caltex takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

(b) Contingent liabilities - legal and other claims

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In the ordinary course of business, the Group is involved as a defendant in legal proceedings. Where appropriate, Caltex takes legal advice. The Group does not consider that the outcome of any current proceedings is likely to have a material effect on its operations or financial position.

A liability has been recognised for any known losses expected to be incurred where such losses are capable of reliable measurement.

(c) Bank guarantees

The Group has granted indemnities to banks to cover bank guarantees given on behalf of controlled entities to a maximum exposure of \$1,921,724 (2010: \$1,997,434).

(d) Deed of Cross Guarantee and class order relief

Note 22(a) lists the companies in the Caltex Australia Group that are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited and each other (these companies are notated with (ii)).

As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies are relieved from complying with certain requirements of the *Corporations Act*. Under the Deed of Cross Guarantee, each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

No companies have been added to the Deed of Cross Guarantee during the year ended 31 December 2011 or since 1 January 2012 to the date of signing this financial report.

Thousands of dollars	2011	2010
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21. Auditor's remuneration

Audit services - KPMG Australia	767	811
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Non-audit services - KPMG Australia:

Transaction services	57	88
Other assurance services	67	52
Taxation services	24	20

148	160
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Notes to the financial statements
for the year ended 31 December 2011 (continued)

22. Particulars in relation to controlled entities

22. Particulars in relation to controlled entities		% interest		
(a)	Name	Note	2011	2010
	Companies			
	Ampol Bendigo Pty Ltd	(ii)	100	100
	Ampol Property (Holdings) Pty Ltd	(ii)	100	100
	Ampol Refineries (Matraville) Pty Ltd		100	100
	Ampol Road Pantry Pty Ltd		100	100
	Australian Petroleum Marine Pty Ltd	(ii)	100	100
	B & S Distributors Pty Ltd	(iii)	50	50
	Bowen Petroleum Services Pty Ltd		100	100
	Brisbane Airport Fuel Services Pty Ltd	(iv)	100	100
	Calgas Pty Ltd	(ix)	100	50
	Calstores Pty Ltd	(ii), (vi), (iv)	100	100
	Caltex Australia Custodians Pty Ltd		100	100
	Caltex Australia Management Pty Ltd		100	100
	Caltex Australia Nominees Pty Ltd		100	100
	Caltex Australia Petroleum Pty Ltd	(ii), (iv)	100	100
	Caltex Fuel Services Pty Ltd	(ii)	100	100
	Caltex Lubricating Oil Refinery Pty Ltd	(ii), (iv)	100	100
	Caltex Petroleum (Qld) Pty Ltd	(ii)	100	100
	Caltex Petroleum (Victoria) Pty Ltd	(ii)	100	100
	Caltex Petroleum Pty Ltd	(ii)	100	100
	Caltex Petroleum Services Pty Ltd	(ii), (iv)	100	100
	Caltex Refineries (NSW) Pty Ltd	(ii), (iv)	100	100
	Caltex Refineries (Qld) Pty Ltd	(ii), (iv)	100	100
	Circle Petroleum (Q'land) Pty Ltd		100	100
	Cocks Petroleum Pty Ltd		100	100
	Cooper & Dysart Pty Ltd		100	100
	Graham Bailey Pty Ltd	(x)	100	-
	Hanietee Pty Ltd	(ii)	100	100
	Hunter Pipe Line Company Pty Ltd	(ii)	100	100
	Jayvee Petroleum Pty Ltd		100	100
	Jet Fuels Petroleum Distributors Pty Ltd	(ii)	100	100
	Kanegood Pty Ltd	(viii)	-	100
	Link Energy Pty Ltd		100	100
	Manworth Pty Ltd		100	100
	Newcastle Pipe Line Company Pty Ltd	(ii)	100	100
	Northern Marketing Management Pty Ltd		100	100
	Northern Marketing Pty Ltd	(ii)	100	100
	Pilbara Fuels Pty Ltd		100	100
	R & T Lubricants Pty Ltd	(ii)	100	100
	Ruzack Nominees Pty Ltd		100	100
	Solo Oil Australia Pty Ltd		100	100
	Solo Oil Corporation Pty Ltd		100	100
	Solo Oil Investments Pty Ltd	(ii)	100	100
	Solo Oil Pty Ltd	(ii)	100	100
	South Coast Oils Pty Ltd		100	100
	South East Queensland Fuels Pty Ltd		100	100
	Sydney Metropolitan Pipeline Pty Ltd	(iii)	60	60
	Teraco Pty Ltd	(iii)	50	50
	Travelmate.com.au Pty Ltd	(viii)	-	100
	Tulloch Petroleum Services Pty Ltd	(ii)	100	100
	Western Fuel Distributors Pty Ltd	(iii)	50	50
	Wildbank Pty Ltd	(viii)	-	100
	Unit trusts			
	Eden Equity Unit Trust	(v)	100	100
	Petroleum Leasing Unit Trust	(vi)	100	100
	Petroleum Properties Unit Trust	(vi)	100	100
	South East Queensland Fuels Unit Trust	(vii)	100	100

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

22. Particulars in relation to controlled entities (continued)

- (i) All companies were incorporated in Australia. The unit trusts were formed in Australia.
- (ii) These companies are parties to a Deed of Cross Guarantee dated 22 December 1992 with Caltex Australia Limited and each other. As parties to the Deed of Cross Guarantee, and by virtue of ASIC Class Order CO 98/1418, these companies are relieved from certain requirements of the *Corporations Act*. Under the Deed of Cross Guarantee, each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed. No companies have been added to or removed from the Deed of Cross Guarantee during the year ended 31 December 2011 or from 1 January 2012 to the date of signing this financial report.
- (iii) These entities have been included as controlled entities in accordance with AASB 127 Consolidated and Separate Financial Statements. In each case, control exists because a company within the Caltex Australia Group has the ability to dominate the composition of the entity's board of directors, or enjoys the majority of the benefits and is exposed to the majority of the risks of the entity.
- (iv) These companies were "employer" companies in the Caltex Australia Group during 2011. Employees of these companies were eligible to participate in the Caltex Australia Limited employee share plans in 2011.
- (v) Caltex Petroleum Services Pty Ltd is the sole unitholder of this trust.
- (vi) Solo Oil Pty Ltd is the sole unitholder of these trusts.
- (vii) Caltex Australia Petroleum Pty Ltd and Caltex Petroleum Services Pty Ltd each own half of the units in this trust.
- (viii) Kanegood Pty Ltd, Travelmate.com.au Pty Ltd and Wildbank Pty Ltd were deregistered on 4 March 2011.
- (ix) On 1 November 2011, the Group acquired the remaining 50% interest in Vitalgas Pty Ltd. The name of the company was subsequently changed to Calgas Pty Ltd.
- (x) On 1 December 2011, the Group acquired 100% of the shares in Graham Bailey Pty Ltd.

Notes to the financial statements
for the year ended 31 December 2011 (continued)

22. Particulars in relation to controlled entities (continued)

(b) Income statement for entities covered by the Deed of Cross Guarantee

Thousands of dollars	2011	2010
(Loss)/profit before income tax expense	(1,030,153)	427,548
Income tax benefit/(expense)	319,850	(117,168)
Net (loss)/profit	(710,303)	310,380
Retained earnings at the beginning of the year	2,496,113	2,361,586
Movement in reserves	(26,353)	(19,346)
Dividends provided for or paid	(126,900)	(148,500)
Retained earnings at the end of the year	1,632,557	2,504,120

(c) Balance sheet for entities covered by the Deed of Cross Guarantee

Current assets		
Cash and cash equivalents	5,651	5,609
Receivables	857,402	629,250
Inventories	1,715,682	1,383,894
Current tax asset	-	1,266
Other	6,523	15,332
Total current assets	2,585,258	2,035,351
Non-current assets		
Receivables	1,566	33,350
Investments accounted for using the equity method	36,531	36,309
Other investments	3	15
Property, plant and equipment	1,491,828	2,866,388
Intangibles	86,904	71,759
Deferred tax assets	448,986	13,138
Other	83,863	86,393
Total non-current assets	2,149,681	3,107,352
Total assets	4,734,939	5,142,703
Current liabilities		
Payables	1,633,042	1,126,192
Interest bearing liabilities	153,979	131,641
Current tax liabilities	13,987	80,049
Provisions	139,781	177,075
Total current liabilities	1,940,789	1,514,957
Non-current liabilities		
Interest bearing liabilities	438,713	434,547
Provisions	189,689	153,726
Total non-current liabilities	628,402	588,273
Total liabilities	2,569,191	2,103,230
Net assets	2,165,748	3,039,473
Equity		
Issued capital	543,415	543,415
Treasury stock	(430)	(753)
Reserves	(9,794)	(7,309)
Retained earnings	1,632,557	2,504,120
Total equity	2,165,748	3,039,473

Notes to the financial statements
for the year ended 31 December 2011 (continued)

	% interest		
	2011	2010	Balance date
23. Investments accounted for using the equity method			
(a) Investments in associates and joint ventures			
Airport Fuel Services Pty Ltd	40	40	31 December
Australasian Lubricants Manufacturing Company Pty Ltd	50	50	31 December
Cairns Airport Refuelling Service Pty Ltd	25	25	31 December
Geraldton Fuel Company Pty Ltd	50	50	31 December
South Coast Fuels Pty Ltd	50	50	31 December

All above companies are incorporated in Australia.

These entities are principally concerned with the sale, marketing and/or distribution of fuel products.

(b) Investments in associates							
Thousands of dollars	Revenue (100%)	Profit (100%)	Share of associates' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by associates (100%)	Share of associates' net assets equity accounted
2011	151,648	4,026	1,412	28,168	17,575	10,593	5,835
2010	141,113	3,599	1,328	20,831	12,074	8,757	4,748

	2011	2010
Results of associates		
Share of associates' profit before income tax expense	2,043	1,896
Share of associates' income tax expense	(613)	(569)
Share of associates' net profit	1,430	1,327
Unrealised (loss)/profit in inventories	(18)	1
Share of associates' net profit - equity accounted	1,412	1,328
Commitments		
Share of associates' capital expenditure contracted but not provided for in the financial report and payable:		
Within one year	-	-
Share of associates' operating lease commitments not provided for in the financial report and payable:		
Within one year	134	125
Between one and five years	670	626
	804	751
Share of associates' finance lease commitments not provided for in the financial report and payable:		
Within one year	713	557
Between one and five years	1,288	1,409
	2,001	1,966
Future finance charges	(237)	(266)
	1,764	1,700

Notes to the financial statements
for the year ended 31 December 2011 (continued)

23. Investments accounted for using the equity method (continued)
(c) Investments in joint ventures

Thousands of dollars	Revenue (100%)	Profit (100%)	Share of joint ventures' net profit recognised	Total assets (100%)	Total liabilities (100%)	Net assets as reported by joint venture (100%)	Share of joint ventures' net assets equity accounted
2011	577,749	2,191	206	394,079	391,177	2,902	17,738
2010	559,098	2,099	2,185	1,180,643	1,177,002	3,641	18,603
						2011	2010
Results of joint ventures							
Share of joint ventures' profit before income tax expense						1,513	1,195
Share of joint ventures' income tax expense						(352)	(209)
Share of joint ventures' net profit						1,161	986
Unrealised profit in inventories						(955)	1,199
Share of joint ventures' net profit - equity accounted						206	2,185
Share of joint ventures assets and liabilities							
Current assets						392,827	1,174,586
Non-current assets						1,252	6,057
Total assets						394,079	1,180,643
Current liabilities						375,968	1,162,218
Non-current liabilities						15,209	14,783
Total liabilities						391,177	1,177,002
Commitments							
Share of joint ventures' capital expenditure contracted but not provided for in the financial report and payable:							
Within one year						23	73
Share of joint ventures' operating lease commitments not provided for in the financial report and payable:							
Within one year						1,150	924
Between one and five years						586	436
						1,736	1,360
(d) Reconciliation to income statement							
Share of net profit of associates accounted for using the equity method						1,412	1,328
Share of net profit of joint ventures accounted for using the equity method						206	2,185
						1,618	3,513

Notes to the financial statements
for the year ended 31 December 2011 (continued)

24. Interest in joint venture operations

The Group has joint interests in multiple Joint User Hydrant Installations (JUHLs), which are based at airports across Australia. The principal activity of the JUHLs is refuelling aircraft at the airports. For the year ended 31 December 2011, the contribution of the JUHLs to the operating profit of the Group was nil (2010: nil). Included in the assets and liabilities of the Group are the Group's interests in the assets and liabilities employed in the joint venture operation:

Thousands of dollars	2011	2010
Non-current assets		
Plant and equipment expenditure	42,706	37,148
Less: accumulated amortisation	(28,345)	(25,398)
Total non-current assets	14,361	11,750
Total assets	14,361	11,750

25. Notes to the cash flow statements

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statements, cash and cash equivalents includes:

Cash at bank	1,818	18,377
Total cash and cash equivalents	1,818	18,377

(b) Reconciliation of net profit to net operating cash flows

Net (loss)/profit	(713,221)	317,978
Adjustments for:		
(Gain)/loss on divestment of non-current assets	(8,507)	3,100
Impairment of fixed assets	1,552,780	1,134
Fair value adjustment on financial instruments	(30)	(203)
Depreciation of property, plant and equipment	210,855	200,356
Amortisation of intangibles	8,486	8,529
Treasury stock movements net of expense	2,614	4,229
Share of associates' and joint ventures' net profit	(1,618)	(3,513)
Movements in assets and liabilities:		
Increase in receivables	(147,279)	(66,470)
Increase in inventories	(330,663)	(176,198)
(Increase)/decrease in other assets	(2,153)	9,465
Increase in payables	419,672	35,612
(Decrease)/increase in current tax liabilities	(65,724)	53,467
(Decrease)/increase in deferred tax liabilities	(422,044)	9,343
(Decrease)/increase in provisions	(56,766)	31,629
Net operating cash inflows	446,402	428,458

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Business combinations

2011

(a) Graham Bailey Pty Ltd ("Baileys")

On 1 December 2011, the Group acquired 100% of Graham Bailey Pty Ltd ("Baileys") for a consideration of \$19,100,000 (plus a potential deferred payment of up to \$2,000,000 if particular sales targets are met) plus incidental acquisition costs.

The Baileys marine fuel business was founded in Perth in 1986 and is now Australia's leading provider of marine fuel, remote infrastructure and related services, with operations in all major Australian ports and its own strong network of 16 sites from south of Western Australia through to Darwin.

The following disclosures are provisional and dependent upon the finalisation of completion accounts:

In the one month up to 31 December 2011, Baileys contributed a net profit of \$225,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2011, the Group estimates that gross sales revenue would have been \$115,930,000 greater and net profit would have been \$848,000 greater.

The acquisition had the following effect on the Group's assets and liabilities:

Thousands of dollars	Original values	Fair value adjustments	Recognised values
Cash and cash equivalents	50	-	50
Receivables	14,938	-	14,938
Inventories	1,468	-	1,468
Other current assets	578	-	578
Property, plant and equipment	3,986	-	3,986
Goodwill	279	(279)	-
Payables	(16,976)	-	(16,976)
Net identifiable assets and liabilities	4,323	(279)	4,044
Goodwill on acquisition			17,094
Deferred consideration, based on future performance			2,000
Consideration paid, satisfied in cash			19,138
Cash acquired			50
Net cash outflow			(19,088)

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value of assets recorded on acquisition.

Goodwill of \$17,094,000 has arisen on acquisition of Baileys and represents customer contracts, property leases and other intangible assets that did not meet the criteria for recognition as separately identifiable intangible assets at the date of acquisition.

(b) Vitalgas Pty Ltd ("Vitalgas")/Calgas Pty Ltd ("Calgas")

On 1 November 2011, the Group dissolved the Vitalgas Pty Ltd ("Vitalgas") joint venture agreement by way of purchasing the shares held by Origin Energy Holdings Pty Ltd ("Origin") and undertaking associated assets for an acquisition cost of \$4,100,000 plus incidental acquisition costs. The name of the company was subsequently changed to Calgas Pty Ltd.

Vitalgas, a joint venture between Caltex Australia Limited and Boral Gas Ltd (now Origin Energy Holdings Pty Ltd), was created on 2 September 1985 in order to better compete in the autogas market.

In the two months up to 31 December 2011, the subsidiary contributed a net profit of \$151,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 January 2011, the Group estimates that gross sales revenue would have been \$101,661,000 greater and net profit would have been \$1,633,000 greater.

The acquisition had the following effect on the Group's assets and liabilities:

Thousands of dollars	Original values	Fair value adjustments	Provisional Recognised values
Cash and cash equivalents	3,276	-	3,276
Receivables	1,216	-	1,216
Inventories	582	-	582
Other current assets	108	-	108
Property, plant and equipment	3,881	6,101	9,982
Deferred tax balances	495	(1,206)	(711)
Payables	(9,521)	-	(9,521)
Net identifiable assets and liabilities	37	4,895	4,932
Net assets acquired - remaining 50% interest			2,466
Goodwill on acquisition			1,655
Consideration paid, satisfied in cash			4,121
Cash acquired - remaining 50% interest			1,638
Net cash outflow			(2,483)

The recognised values are based on the pre-acquisition carrying amounts and represent the fair value of assets recorded on acquisition.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

26. Business combinations (continued)

2011 (continued)

(b) Vitalgas Pty Ltd ("Vitalgas")/Calgas Pty Ltd ("Calgas") (continued)

Goodwill of \$1,655,000 has arisen on acquisition of the remaining interest in Vitalgas and represents other intangible assets that did not meet the criteria for recognition as separately identifiable intangible assets at the date of acquisition.

Goodwill within Vitalgas Pty Limited and Graham Bailey Pty Limited was unable to be recognised as a separate intangible asset under AASB 3.

There were no other material business combinations during the year ended 31 December 2011.

(c) Details of entities over which control has been gained or lost during the year

On 1 March 2011, Caltex incorporated Ampol Singapore Holdings Pte Limited.

2010

There were no material business combinations or entities over which control was gained or lost during the year ended 31 December 2010 for the Caltex Australia Group.

27. Financing arrangements

Thousands of dollars	2011	2010
The Caltex Australia Group has access to the following lines of credit:		
Total facilities available:		
Bank overdrafts	39,868	30,000
Bank loans and capital markets	1,727,015	1,475,623
	1,766,883	1,505,623
Facilities utilised at balance date:		
Bank overdrafts	10,532	5,941
Bank loans and capital markets	614,402	555,623
	624,934	561,564
Facilities not utilised at balance date:		
Bank overdrafts	29,336	24,059
Bank loans and capital markets	1,112,613	920,000
	1,141,949	944,059

These facilities are unsecured and have an average maturity of 2.8 years (2010: 2.5 years).

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

28. Related party information

(a) Key management personnel

The key management personnel of the Caltex Australia Group during 2011 and 2010 were:

(i) Directors of Caltex Australia Limited during 2011 and 2010:

Current directors

Ms Elizabeth Bryan, Chairman and Non-Executive Director
Mr Julian Segal, Managing Director & CEO
Mr Trevor Bourne, Non-Executive Director
Mr Brant Fish*, Non-Executive Director
Mr Greig Gailey, Non-Executive Director
Mr Tim Leveille*, Non-Executive Director (from 1 December 2010)
Mr Walt Szopiak*, Non-Executive Director (from 1 September 2010; previously an Alternate Director to 31 August 2010)
Mr John Thorn, Non-Executive Director

* Ms Colleen Jones-Cervantes currently serves as alternate director for Mr Fish and Mr Szopiak (from 1 September 2010) and Mr Leveille (from 1 December 2010).
Ms Jones-Cervantes previously served as a Non-Executive Director to 31 August 2010.

Former directors

Mr Rob Otteson, Non-Executive Director (to 30 November 2010)

(ii) Senior executives

Current senior executives

Mr Simon Hepworth, Chief Financial Officer
Mr Ken James, General Manager - Supply and Distribution
Mr Peter Lim - Company Secretary and General Counsel (appointed 28 March 2011 to an acting role, appointed permanently to the role 1 January 2012)
Mr Mike McMenamin, General Manager - Strategy, Planning and Development
Mr Gary Smith, General Manager - Refining
Mr Andy Walz, General Manager - Marketing
Mr Simon Willshire, General Manager - Human Resources

Former senior executives

Ms Helen Conway, General Manager - Office of the CEO, Company Secretary and General Counsel (to 8 April 2011)

(b) Key management personnel compensation

Dollars	2011	2010
Short term benefits	10,260,660	10,521,333
Other long term benefits	451,136	401,673
Post-employment benefits	523,808	546,836
Share based payments	3,754,505	2,625,749
	14,990,109	14,095,591

Information regarding directors' and executives' compensation and some equity instruments disclosures is provided in the Remuneration Report section of the Directors' Report on pages 15 to 37.

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

28. Related party information (continued)

(c) Shareholdings of key management personnel

The movement during the reporting period in the number of shares of Caltex Australia Limited held, directly, indirectly or beneficially, by each key management personnel, including their personally related entities, is as follows:

31 December 2011	Held at 31 Dec 2010	Purchased	Vested	Sold	Held at 31 Dec 2011
Directors					
Elizabeth Bryan	14,946	-	-	-	14,946
Julian Segal (i)	31,337	-	35,282	-	66,619
Trevor Bourne	5,395	-	-	-	5,395
Brant Fish	-	-	-	-	-
Greig Gailey	5,000	-	-	-	5,000
Tim Leveille	-	-	-	-	-
Walt Szopiak	-	-	-	-	-
John Thorn	1,510	-	-	-	1,510
Colleen Jones-Cervantes	-	-	-	-	-
Senior executives					
Helen Conway	66,721	-	38,322	(30,000)	75,043
Simon Hepworth	40,653	-	18,463	-	59,116
Ken James	9,018	-	12,310	-	21,328
Peter Lim	-	-	3,223	-	3,223
Mike McMenamin	21,056	-	11,642	-	32,698
Gary Smith	-	-	14,136	-	14,136
Andy Walz	-	-	-	-	-
Simon Willshire	15,252	-	13,736	-	28,988

31 December 2010	Held at 31 Dec 2009	Purchased	Vested	Sold	Held at 31 Dec 2010
Directors					
Elizabeth Bryan	14,946	-	-	-	14,946
Julian Segal (i)	-	-	31,337	-	31,337
Trevor Bourne	5,395	-	-	-	5,395
Brant Fish	-	-	-	-	-
Greig Gailey	-	5,000	-	-	5,000
Tim Leveille	-	-	-	-	-
Walt Szopiak	-	-	-	-	-
John Thorn	1,510	-	-	-	1,510
Colleen Jones-Cervantes	-	-	-	-	-
Rob Otteson	-	-	-	-	-
Senior executives					
Helen Conway	58,276	-	8,445	-	66,721
Simon Hepworth	31,118	-	9,535	-	40,653
Ken James	5,684	-	3,334	-	9,018
Mike McMenamin	15,755	-	5,301	-	21,056
Gary Smith	-	-	-	-	-
Andy Walz	-	-	-	-	-
Simon Willshire	8,993	-	6,259	-	15,252

(i) In addition, Mr Segal received a joining incentive in 2009 of 73,979 shares. These will vest in 2012 and are disclosed in the Remuneration report (pages 15 - 37).

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

28. Related party information (continued)

(d) Other key management personnel transactions

Apart from as disclosed in the indemnity section of the Directors' Report, no key management personnel have entered into a material contract, loan or other transaction with any entity in the Caltex Australia Group during the year ended 31 December 2011 (2010: nil).

During 2011, Ms Bryan was a director of Westpac Banking Corporation. The business relationship between Caltex and Westpac Banking Corporation has been in place for many years and facilities are on normal commercial terms.

During 2011, Mr Bourne was a director of Hastie Group Limited and Origin Energy Limited. Transactions with these companies and their subsidiaries were on normal commercial terms.

During 2011, Mr Thorn was a director of National Australia Bank Limited, Salmat Limited, Amcor Limited and Kennards Hire Pty Ltd. Transactions with these companies and their subsidiaries were on normal commercial terms.

(e) Controlled entities

During 2011, Caltex Australia Limited received dividends from controlled entities of \$128,725,000 (2010: \$155,543,000) and interest from controlled entities of \$18,949,000 (2010: \$28,299,000).

The amount receivable by Caltex Australia Limited from controlled entities at 31 December 2011 was \$381,054,000 (2010: \$338,575,000). The amount payable by Caltex Australia Limited to controlled entities at 31 December 2011 was \$248,422,000 (2010: \$173,926,000).

Details of controlled entities are set out in note 22.

(f) Other related entities

Chevron Global Energy Inc. holds a 50% interest in Caltex Australia Limited. Transactions with the Chevron Group are summarised below.

The Caltex Australia Group paid \$3,135,401 (2010: \$4,978,808) to the Chevron Group for technical service fees. The Caltex Australia Group received \$4,682,591 (2010: \$4,825,046) for technical service fees from the Chevron Group. These fees are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group paid \$1,600,000 (2010: \$1,858,428) to the Chevron Group, including Iron Horse Insurance Company for insurance coverage. Dealings with Iron Horse Insurance Company are in the ordinary course of business and on normal commercial terms and conditions.

The Caltex Australia Group purchased crude, other refinery feedstocks and petroleum products from the Chevron Group of \$6,352,904,811 (2010: \$3,574,245,181). The Caltex Australia Group sold crude, other refinery feedstocks and petroleum products to the Chevron Group of \$282,749,788 (2010: \$333,556,636). These purchases and sales are in the ordinary course of business and on normal commercial terms and conditions.

Payments were made to the Chevron Group in respect of the secondment of Mr Walz. Details of these payments are shown in the Remuneration Report on pages 15 to 37.

In addition to the above, the Chevron Group seconded one employee (2010: one employee) primarily to provide specialist expertise at Lytton Refinery and one employee (2010: one employee) to provide specialist expertise for an IT project. The total cost borne by Caltex Australia in respect of both secondees was \$457,518 (2010: \$421,680). This cost includes salary and bonuses, allowances including relocation, and indirect payroll related expenses.

Caltex Australia seconded three employees to various roles within the Chevron Group during 2011 (2010: six employees). Caltex paid the salary and bonuses, allowances including relocation, and indirect payroll related expenses for one of these Caltex employees and Chevron Group paid the associated costs for the remaining two employees.

Amounts receivable from and payable to other related entities are set out in notes 7 and 13 respectively.

(g) Associates

The Caltex Australia Group sold petroleum products to associates totalling \$150,658,456 (2010: \$125,089,055). The Caltex Australia Group received income from associates for rental income of \$189,006 (2010: \$107,810).

Details of associates are set out in note 23. Amounts receivable from associates are set out in note 7. Dividend and disbursement income from associates is \$325,000 (2010: \$400,000).

Caltex has interests in associates primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interests are set out in note 23.

(h) Joint ventures

The Caltex Australia Group sold petroleum products to joint ventures totalling \$99,733,152 (2010: \$62,574,314). The Caltex Australia Group received income from joint ventures for service fees, site fees, operating leases and licence fees of \$8,638,589 (2010: \$9,567,731).

The Caltex Australia Group purchased petroleum products from joint ventures of \$186,429,038 (2010: \$151,185,781). The Caltex Australia Group received service fee income from joint ventures of \$182,500 (2010: \$160,000). Dividend and disbursement income from joint ventures is \$1,070,266 (2010: \$1,345,528).

Caltex has interests in joint ventures primarily for the marketing, sale and distribution of fuel products. Details of Caltex's interests are set out in notes 23 and 24.

Notes to the financial statements
for the year ended 31 December 2011 (continued)

28. Related party information (continued)

(i) Executive share plan and performance rights

Up to 1 January 2007, senior executives could receive shares under Caltex Australia Limited's Long-Term Incentive Plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group (including return on capital employed and total shareholder return). The terms and conditions of this plan were approved by shareholders at the Annual General Meeting held in April 1999.

Executives in the Long-Term Incentive Plan for 2006 are entitled to receive shares in three equal instalments as their shares vest, although dividend and voting entitlements vest immediately. Shares are included as part of bonuses upon vesting.

The fair value of services received in return for shares granted are measured by reference to the market price of shares on the grant date.

Summary of share movements in the plan:

Opening balance	Issued to plan			Distribution during the year			Closing balance	
Number of shares	Grant date	Number of shares	Weighted average fair value per share (\$)	Distribution date	Number of shares	Weighted average fair value per share (\$)	Number of shares	Weighted average fair value aggregate (\$)
2010								
17,724		-	-	2 January 2010	(15,316)	9.41	-	-
				1 October 2010	(2,408)	9.41	-	-
17,724		-	-		(17,724)		-	-

Up to 1 January 2010, senior executives could receive shares under Caltex Australia Limited's Equity Incentive Plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group.

Executives in the Caltex Equity Incentive Plan for 2009 were entitled to receive shares in three equal instalments as their shares vest, although dividend and voting entitlements vest immediately. Shares are included as part of bonuses upon vesting.

The fair value of services received in return for shares granted are measured by reference to the market price of shares on the grant date.

Summary of share movements in the plan:

Opening balance	Issued to plan			Distribution during the year			Closing balance	
Number of shares	Grant date	Number of shares	Weighted average fair value per share (\$)	Distribution date	Number of shares	Weighted average fair value per share (\$)	Number of shares	Weighted average fair value aggregate (\$)
2011								
13,639		-	-	7 April 2011	(13,639)	15.53	-	-
13,639		-	-		(13,639)		-	-
2010								
57,088		-	-	7 April 2010	(38,478)	11.63	13,639	195,992
				1 October 2010	(4,971)	11.63		
57,088		-	-		(43,449)		13,639	195,992

Since 1 January 2010, senior executives have deferred one third of their short term incentive (STI), if the STI is higher than a target dollar figure.

Details of the deferred STI are included in the Remuneration Report on pages 15 to 37.

Summary of share movements in the plan:

Opening balance	Granted			Distribution during the year			Closing balance	
Number of shares	Grant date	Number of shares	Weighted average fair value per share (\$)	Distribution date	Number of shares	Weighted average fair value per share (\$)	Number of shares	Weighted average fair value aggregate (\$)
2011								
172,482	1 January 2011	158,265	11.77	15 October 2011	(172,482)	13.20	158,265	1,862,783
172,482		158,265			(172,482)		158,265	1,862,783
2010								
-	1 January 2010	172,482	14.37		-	-	172,482	2,478,566
-		172,482			-		172,482	2,478,566

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

28. Related party information (continued)

(i) Executive share plan and performance rights (continued)

Since 1 January 2007, senior executives may receive performance rights under Caltex Australia Limited's Equity Incentive Plan, based on the achievement of specific targets related to the performance of the Caltex Australia Group.

Details of the Caltex Equity Incentive Plan are included in the Remuneration Report on pages 15 to 37.

Summary of performance rights in the plan:

Opening balance	Issued to plan			Distribution during the year			Lapsed during the year			Closing balance	
Number of performance rights	Start date	Number of performance rights	Fair value of performance	Distribution date	Number of performance rights	Weighted average fair value per share (\$)	Lapsed date	Number of performance rights	Weighted average fair value per share (\$)	Number of performance rights	Fair value aggregate (\$)
2011											
822,513	29 April 2011	383,304	6.61	29 March 2011	(39,705)	15.58	29 March 2011	(39,705)	-	1,092,763	7,682,929
817,165	29 April 2011	383,304	4.91	29 April 2011	(36,911)	14.36	14 April 2011	(12,274)	-	1,087,415	6,963,354
							29 April 2011	(97,513)	-		
1,639,678		766,608			(76,616)			(149,492)		2,180,178	14,646,283
2010											
196,155	23 April 2010	663,357	7.89	3 March 2010	(17,891)	10.29	3 March 2010	(29,809)	-	822,513	6,117,827
195,275	23 April 2010	663,357	7.75	17 August 2010	(11,003)	11.48	17 August 2010	(3,177)	-	817,165	6,055,203
				1 October 2010	(1,151)	11.97	18 September 201	(13,516)	-		
							1 October 2010	(1,919)	-		
391,430		1,326,714			(30,045)			(48,421)		1,639,678	12,173,030

The performance criteria for the performance rights start on 1 January of each of the relevant years, while the issue date follows shortly thereafter. All performance rights may be exercised three years after the grant date and expire 10 years after the grant date.

Thousands of dollars	2011	2010
Executive share plan expense	6,242	4,874

	2011	2010
29. Net tangible assets per share		
Net tangible assets per share (dollars)	7.82	11.08

Net tangible assets are net assets attributable to members of Caltex less intangible assets. The weighted average number of ordinary shares used in the calculation of net tangible assets per share was 270 million (2010: 270 million).

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

30. Segmented reporting

(a) Segment disclosures

The accounting policies used by the Group in reporting segments are detailed in note 1.

Types of products and services

The following summary describes the operations in each of the Group's reportable segments:

Marketing

The Marketing function promotes and sells Caltex fuels, lubricants, specialty products and convenience store goods through a national network of Caltex, Caltex Woolworths and Ampol branded service stations, as well as through company owned and non-equity resellers and direct sales to corporate customers.

Refining and Supply

Caltex sources the supply of both crude oil and refined products on the international market and refines crude oil into petrol, diesel, jet fuel, base oil for lubricants and many specialty products such as petroleum gas and bitumen. Caltex buys and sells products and schedules product movements to meet marketing sales and the company's broad distribution capabilities encompass pipelines, terminals, depots and both a company and contracted transportation fleet.

Caltex sees a domestic Refining and Supply segment as essential to support the Marketing segment's earnings.

(b) Information about reportable segments

Thousands of dollars	Marketing		Refining and Supply		Total Operating Segments	
	2011	2010	2011	2010	2011	2010
Gross segment revenue	18,913,473	16,029,058	2,652,128	2,109,730	21,565,601	18,138,788
Product duties and taxes	(5,080,150)	(4,914,349)	-	-	(5,080,150)	(4,914,349)
External segment revenue	13,833,323	11,114,709	2,652,128	2,109,730	16,485,451	13,224,439
Inter-segment revenue	-	-	12,795,567	10,223,087	12,795,567	10,223,087
Total segment revenue	13,833,323	11,114,709	15,447,695	12,332,817	29,281,018	23,447,526
Share of profit of associates	1,618	3,513	-	-	1,618	3,513
Depreciation and amortisation	(59,577)	(54,482)	(153,452)	(147,073)	(213,029)	(201,555)
Replacement Cost of Sales Operating Profit before interest and income tax	697,331	578,164	(208,312)	3,551	489,019	581,715
Other material items:						
Impairment of intangible assets	3,035	-	(1,555,815)	(1,134)	(1,552,780)	(1,134)
Inventory (losses)/gains	(26,533)	(14,404)	223,982	35,646	197,449	21,242
Capital expenditure (including acquisitions)*	(143,417)	(150,241)	(270,379)	(202,059)	(413,796)	(352,300)

* Refining and Supply amount (\$270 million) includes non-refinery capital spend of \$77 million and \$80 million of cyclical maintenance.

(c) Reconciliation of reportable segment revenues, profit or loss and other material items

Thousands of dollars	2011	2010
Revenues		
Total revenue for reportable segments	29,281,018	23,447,526
Product duties and taxes	5,080,150	4,914,349
Elimination of inter-segment revenue	(12,795,567)	(10,223,087)
Total reportable segments gross revenue	21,565,601	18,138,788
Non-fuel income and rebates	539,603	533,117
Consolidated revenue	22,105,204	18,671,905
Profit or loss		
Total Replacement Cost of Sales Operating Profit for reportable segments	489,019	581,715
Other profit and loss	(46,872)	(81,297)
Replacement Cost of Sales Operating Profit before interest and income tax, excluding significant items	442,147	500,418
<i>Significant items excluded from profit and loss reported to the chief operating decision maker:</i>		
Marketing restructuring expenses	-	(5,800)
Refining restructuring expenses	-	(14,963)
Corporate restructuring expenses	-	(2,248)
FCCU/PDU restructuring costs	(21,606)	-
Other redundancy and related costs	(19,318)	-
Impairment impacts	(1,552,780)	-
Replacement Cost of Sales Operating Profit before interest and income tax	(1,151,557)	477,407
Inventory gains	197,449	21,242
Consolidated historical cost (loss)/profit before interest and income tax	(954,108)	498,649
Net financing costs	(67,952)	(57,380)
Net profit attributable to non-controlling interest	293	1,026
Consolidated (loss)/profit before income tax	(1,021,767)	442,295

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

30. Segmented reporting (continued)

(c) Reconciliation of reportable segment revenues, profit or loss and other material items (continued)

Thousands of dollars	Reportable segment	Other	Consolidated totals
Other material items 2011			
Depreciation and amortisation	(213,029)	(6,312)	(219,341)
Impairment of tangible assets	(1,552,780)	-	(1,552,780)
Inventory gains	197,449	-	197,449
Capital expenditure	(413,796)	(3,569)	(417,365)

Thousands of dollars	Reportable segment	Other	Consolidated totals
Other material items 2010			
Depreciation and amortisation	(201,555)	(7,330)	(208,885)
Impairment of tangible assets	(1,134)	-	(1,134)
Inventory gains	21,242	-	21,242
Capital expenditure	(352,300)	(8,982)	(361,282)

(d) Geographical segments

The Caltex Australia Group operates within one geographic region - Australia.

All of the Group's non-financial non-current assets are located in the Group's country of domicile, Australia.

(e) Major customer

Revenues from one customer of the Group's Marketing segment represent approximately \$4,500,000,000 (2010: \$3,700,000,000) of the Group's total gross sales revenue (excluding product duties and taxes).

(f) Revenue from products and services

Thousands of dollars	2011	2010
Petrol	6,834,827	5,798,499
Diesel	6,688,691	5,005,974
Jet	1,927,431	1,525,055
Lubricants	332,847	295,559
Specialty and other products	701,655	599,352
	16,485,451	13,224,439

**Notes to the financial statements
for the year ended 31 December 2011 (continued)**

31. Parent entity disclosures

As at, and throughout, the financial year ended 31 December 2011, the parent entity of the Group was Caltex Australia Limited.

Thousands of dollars	2011	2010
Result of the parent entity		
Profit for the period	91,702	132,128
Other comprehensive income	(4,166)	(901)
Total comprehensive income for the period	87,536	131,227
Financial position of parent entity at year end		
Current assets	158,390	210,565
Total assets	1,854,841	1,867,875
Current liabilities	165,332	209,926
Total liabilities	1,139,770	1,116,055
Total equity of the parent entity comprising:		
Issued capital	543,415	543,415
Treasury stock	(430)	(753)
Reserves	(7,708)	(5,831)
Retained earnings	179,794	214,989
Total equity	715,071	751,820

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that each company agrees to guarantee all of the debts (in full) of all companies that are parties to the deed subject to, and in accordance with, the terms set out in the deed.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 22(a).

32. Impairment of non-current assets

The recent deterioration in the performance of the refining business unit due to the challenging external environment (including the ongoing strength of the Australian dollar, lower Caltex refiner margins and increasing costs) and the expectation that these factors will be sustained for a prolonged period caused the Group to assess the recoverable amount of its Refinery and Supply assets.

The Group determined the recoverable amount of its Refinery and Supply assets by using a discounted cash flow analysis. Determining recoverable amount requires the exercise of significant judgements for both internal and external factors. Judgements for external factors, including but not limited to foreign exchange, Singapore Refiner margins, Brent oil prices and inflation, have been made with reference to historical data and observable market data using a combination of consensus views. The recoverable amount estimate is particularly sensitive to the foreign exchange rate assumption. Judgements for internal factors, including but not limited to applicable discount rate, production volumes, wage growth and other operating costs, have been made with reference to historical data and forward looking business plans. Changes in the long term view of both internal and external judgements may impact the estimated recoverable value.

The recoverable amount of the cash-generating unit (the Refining and Supply operating segment) was estimated based on its value in use (with a discount rate of 14.6% pre-tax). Based on this assessment it was determined that the carrying value of the refineries was \$1,500,000,000 in excess of its recoverable amount. An impairment loss of \$1,382,400,000 was recognised with respect to buildings and plant and equipment and \$117,600,000 with respect to capital projects in progress. The loss has been recognised in the Refining and Supply operating segment.

During the year ended 31 December 2011, the Group announced a decision to cease operation of the #1 Fluidised Catalytic Cracking Unit (FCCU) and the Propane De-Asphalting Unit (PDU) at its Kurnell refinery.

The Group assessed the carrying value of these units based on a value in use estimate (with a discount rate of 14.6% pre-tax). Subsequently, an impairment loss of \$55,815,000 was recognised with respect to plant and equipment. The loss has been recognised in the Refining and Supply operating segment.

Reversal of prior impairment losses

During the year ended 31 December 2011, the Marketing segment recognised a reversal of impairment of \$3,035,000 that had previously been recognised on plant and equipment for non-operating sites. Five of these sites will now be reopened and therefore the impairment has been reversed.

33. Events subsequent to the end of the year

No items, transactions or events of a material or unusual nature that, in the opinion of the Board, are likely to significantly affect the operations of Caltex, the results of those operations or the state of affairs of the Group in subsequent financial years, have arisen in the period from 31 December 2011 to the date of this report.

Glossary of Terms

Acpl	Australian cents per litre.
A-IFRS	Australian equivalents to International Financial Reporting Standards.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Securities Exchange.
Barrel (per barrel) or bbl	A measure used for oil production and sales. One barrel equals approximately 160 litres.
Biofuels	Biofuels refers to fuels derived from feedstocks or biomass crops (such as cereals, grains and oilseeds) and waste (such as animal and cooking fat waste). The two main types of biofuel used for transport fuel in Australia are ethanol and biodiesel. • Ethanol production relies on plant-based feedstocks like sugar and grains. It is blended with unleaded petrol and can be substituted for regular unleaded petrol in many new and used cars, trucks and motorcycles. • Biodiesel production involves the use of plant and/or animal fats. In Australia, biodiesel producers use canola oil, used cooking oil and tallow. When blended with petroleum diesel, it can be used as a substitute in vehicles and stationary engines.
Caltex Refiner Margin (CRM)	CRM represents the difference between the cost of importing a standard Caltex basket of products to eastern Australia and the cost of importing the crude oil required to make that product basket. The CRM calculation basically represents: average Singapore refiner margin + product quality premium + crude discount/(premium) + product freight – crude freight – yield loss.
Capital expenditure	Investment in acquisition or improvement of long term assets, such as property, plant or equipment.
CEIP	Caltex Equity Incentive Plan.
CPRS	Carbon Pollution Reduction Scheme.
EBIT	Earnings Before Interest and Tax.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
EITE	Emissions-intensive trade-exposed – refers to industries that are either exporters or compete against imports and produce significant emissions in their production of goods, measured as the weighted average emissions per million dollars of revenue or per million dollars of value added.
EPA	Environment Protection Authority or equivalent state authority.
FIFO	First in, first out inventory costing process.
Hedge	Buyers and sellers of the commodity may enter into long or short term contracts at an agreed price to manage the risk created by price volatility for a commodity (such as crude oil) on a spot market.
IFRS	International Financial Reporting Standards.
LPG	Liquid Petroleum Gas.
LTI	Lost Time Injury.
LTIFR	Lost Time Injury Frequency Rate – the number of injuries causing lost time per million hours worked.

Glossary of Terms (continued)

Marketing	The operating businesses of Caltex responsible for a range of activities including company-owned and franchised retail service station operations, company-owned and independent branded resellers and direct sales to commercial customers.
MHF	Major Hazard Facility.
ML	Million litres.
NGERS	National Greenhouse and Energy Reporting Scheme.
NPAT	Net Profit After Tax.
PP&E	Property, Plant and Equipment.
RCOP	Caltex reports its results for statutory purposes on an historical cost basis. We also provide information on our financial results on a replacement cost of sales operating profit (RCOP) basis. The RCOP result removes the impact of fluctuations in the USD price of crude and foreign exchange on cost of sales. Such impacts constitute a major external influence on company profits. RCOP restates profit to remove these impacts. The Caltex RCOP methodology is consistent with the basis of reporting used by other refining and marketing groups. As a general rule, an increase in crude prices on an Australian dollar basis will create an earnings gain for Caltex (but working capital requirements will also increase). Conversely, a drop in crude prices on an Australian dollar basis will create an earnings loss. This is a direct consequence of the first in first out (FIFO) costing process used by Caltex in adherence with accounting standards to produce the financial result on a historical cost basis. With Caltex holding approximately 45 to 60 days of inventory, revenues reflect current prices in Singapore whereas FIFO costings reflect costs some 45 to 60 days earlier. The timing difference creates these inventory gains and losses. To remove the impact of this factor on earnings and to better reflect the underlying performance of the business, the RCOP NPAT methodology calculates the cost of goods sold on the basis of theoretical new purchases instead of actual costs from inventory. The cost of these theoretical new purchases is calculated as the average monthly cost of cargoes received during the month of those sales. The RCOP result is used by the Board and management for internal review of the company's performance. It is used by the Board for its consideration of dividend (as set out in the dividend policy) and our short term incentive (bonus) scheme.
Refining and Supply	The operating businesses of Caltex responsible for refining crude oil into petrol, diesel, jet fuel, and base oil for lubricants and producing many specialty products such as liquid petroleum gas (LPG) and bitumen. Also responsible for the purchasing, sale and distribution of crude and refined product.
TRV	Total Reward Value.
TSR	Total Shareholder Return.